

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,564

Wednesday June 15 1988

D 8523 A

Taiwanese struggle to reform democracy, Page 20

## World News Business Summary

### White House chief resigns citing wife's illness

Mr Howard Baker, the White House Chief of Staff who guided President Ronald Reagan through the turmoil of the Iran-Contra scandal and two super-power summits, announced his resignation.

### Polish party reshuffle

Reformists have been named to top positions in the Polish Communist Party reshuffle, National Bank President Wladyslaw Bala...

### Japan aid to rise

Japan plans to raise its overseas development aid budget to more than \$50bn in the next five years...

### Setback for tobacco

The US tobacco industry faced its first defeat in a product liability lawsuit when the Federal court awarded \$400,000 in damages to the husband of a woman...

### Dukakis on defence

Democratic presidential candidate Michael Dukakis said he opposed costly development of nuclear defence systems...

### Dublin to appeal

The Dublin Government said it would appeal against an Irish court's decision to free Patrick McVeigh, IRA terror suspect...

### Labour rift

UK Labour Party defence spokesman Denis Davies resigned, attacking leader Neil Kinnock and deepening divisions in the party...

### Ariane lift-off

The next phase in the evolution of Europe's space industry starts today with the lift-off of a new version of the European satellite launcher...

### Contras in US aid talks

Contra rebel leaders met US administration officials to explore the future of stalled peace talks with Nicaragua's Sandinista Government...

### Beirut truce

A truce agreed in Damascus between Palestinian factions halted two months of fighting in Beirut's refugee camps...

### Spycatcher fever

The UK Government began final attempts to stop press reports of the revelations of former members of the security services saying that 10 people planned to write books about their own or relatives' work with security services...

### Moscow apologises

Soviet Defence Minister Dmitri Yazov apologised to the US for the 1985 killing of US Army Major Arthur Nicholson by Soviet troops in East Germany, the Pentagon said...

### Cross-border fire

Afghan and Pakistani troops exchanged rocket and artillery fire near a strategic border town, killing at least three Pakistani civilians and wounding 10, Pakistani officials said...

### High and dry

Britain's airlines pledged a big summer crackdown on drunk and unruly passengers...

### NY banks to meet again on merger talks

BANK OF NEW YORK and Irving Bank executives will meet in another attempt to bridge their differences but there are doubts on Wall Street that the meeting will result in an agreement to merge...

### FT indices

LONDON: A quiet and cautious morning was transformed by the US trade figures and the FT-SE 100 index jumped from a 7 point decline to a new post-crash high...



### WALL STREET: The Dow Jones industrial average closed up 25.07 at 2,124.47, Page 44

TOKYO: A late buying surge held the Nikkei average above the 28,000 level after an earlier retreat as investors moved to the sidelines for the imminent release of the US April trade figures...

### STERLING closed in New York at \$1.7850

DOLLAR closed in New York at DM1.7487, Y126.55, SF1.4825 and FF5.9590. It closed in London at DM1.7485 (DM1.7250), Y126.50 (Y125.15), SF1.4825 (SF1.4475), and FF5.9590 (FF5.8590), Page 38

### PHILIPS, Dutch electronics group, is buying out Du Pont's 50 per cent interest in PD Magnetix

PHILIPS, Dutch electronics group, is buying out Du Pont's 50 per cent interest in PD Magnetix, the two companies' financial troubles have also been mentioned in reports for audio and video electronic products, Page 21

### WEST GERMANY'S stock exchanges will officially start publishing a new stock index of the 30 most heavily traded issues on July 1, Page 24

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### ITALY'S third rescue plan in seven years for its public steel industry was approved by ministers, Page 2

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### SCHEIDLER, Swiss lift maker, is to acquire a majority shareholding in Also Holding, supplier of personal computer systems which last year had sales of SF118.5m (\$128.5m), Page 23

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### VDO ADOLF Schindling, West German maker of instrumentation and control systems for vehicles, aircraft and industry, nearly doubled group profits last year, the chairman said, Page 21

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## Paris bourse chiefs resign over reserve fund trading losses

BY GEORGE GRAHAM IN PARIS

THE CHAIRMAN and chief executive of the Paris bourse resigned in tandem yesterday, forced out of office by the revelation of FF100m (\$35m) of trading losses on the exchange's reserve funds.

The new chairman, Mr Regis Rousseau, announced immediately that the stock exchange would raise FF1bn of fresh capital in order to top up its guarantee fund, which is used to indemnify clients in the event of a member firm's collapse...

The scandal, latest in a long list of misdeeds which in recent months have nibbled away at the credibility of the bourse, is expected to accelerate the process of change in the Paris stock market, which has already transformed its trading techniques over the past three years...



Xavier Dupont, who resigned yesterday as chairman of the Paris bourse

## Mitterrand calls on Rocard to assemble new government

BY PAUL BETTS IN PARIS

PRESIDENT Francois Mitterrand is to ask Mr Michel Rocard, the Socialist Prime Minister, to form a new government when the next session of the French National Assembly opens next week.

Mr Rocard had formally submitted his government's resignation yesterday in the wake of the Socialist's failure to win an absolute majority in Sunday's second round of voting in the general election. After initially asking Mr Rocard to stay on until the opening of parliament on June 23...

## Moscow buys time in Armenia

BY QUENTIN PEEL IN MOSCOW

SOVIET authorities yesterday called for the reunification of the mountain enclave of Nagorno-Karabakh with the republic, Mr Seran Artunmjan succeeded in having a two-day general strike called off 24 hours early by promising that the Armenian Supreme Soviet would vote in favour during the debate starting today...

## G7 likely to augment list of economic indicators

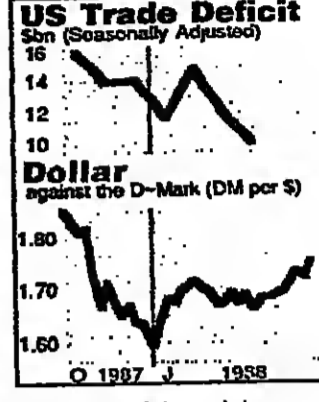
By Philip Stephens in London

THE GROUP of Seven industrial nations expects to agree at next week's Toronto summit on the addition of two indices of commodity prices to the economic performance indicators they use as the basis for policy co-ordination.

## Improved US trade sends dollar higher

BY ANTHONY HARRIS IN WASHINGTON, JANET BUSH IN NEW YORK AND SIMON HOLBERTON IN LONDON

THE DOLLAR and world financial markets yesterday rallied strongly after the US Commerce Department said the US trade deficit narrowed to \$9.9bn in April from \$11.7bn in March.



On European and North American foreign exchanges, the dollar rose sharply despite the reported intervention by the Bundesbank, the West German central bank, to stem the US currency's rise against the D-Mark.

When the figures are smoothed to allow for this, however, they show that exports in the past three months are 29.5 per cent higher than in the same period last year, while imports have risen by 13 per cent over the past half year.

Advertisement for '1988 Property Report'. Features a stylized graphic of a report cover, the text 'Just Published' in a curved banner, and '1988 Property Report' in large bold letters. Below the title, it lists 'Commercial, Industrial, Retail & Leisure: — review of the past year — projections for the future as seen from our offices in the United Kingdom, France, Germany, USA and Japan.' At the bottom, it provides contact information for 'Weatherall Chartered Surveyors' at 22 Chancery Lane, London WC2A 1LT, and includes a phone and fax number.

CONTENTS. Table with two columns listing various articles and their page numbers. Topics include Europe, Americas, Overseas, World Trade, Britain, Companies, Corrections, Editorial comment, Economics, Financial Futures, Gold, Letters, Law, Management, Money Markets, Observer, New Materials, Stock markets, Technology, UK Trade, Weather, and World Index.



Opposition leader Neil Kinnock could be hurt by his defence spokesman's move, Page 19

CONTENTS (continued). Table with two columns listing various articles and their page numbers. Topics include Bonn: EMS gives a boost to West German exports, Technology: Cleaner coal warms up for a freer energy market, Management: Keeping a hold on new entrepreneurial talent, Editorial comment: Fixation on US trade; South Africa and the ANC, Protectionism: Stuck in the mud over reform on the farm, The Soviet economy: A way to make perestroika work, and Lex: Markets; Northern Foods; Tobacco; Paris Executive cars, Finstat: Surveys.



OVERSEAS NEWS

Japan to double overseas aid in next five years

BY IAN RODGER IN TOKYO

THE Japanese Government plans to raise its overseas development assistance spending to more than \$30bn (£27.5bn) over five years, beginning this year, double the rate of the previous five years...

Ruling party leadership backs controversial tax

BY STEFAN WAGSTYL IN TOKYO

JAPAN'S ruling Liberal Democratic Party leadership has backed the introduction of a 3 per cent consumption tax as the centrepiece of a radical tax reform programme...

N Korea debt plan dissent

Disagreement has emerged among North Korea's leading bank lenders, to a plan which calls for the forgiveness of two-thirds of the country's foreign debt to western banks...

Israeli public-sector employees strike

WORK AT government ministries and hospitals in Israel was seriously disrupted yesterday at the start of a series of strikes called by public-sector unions...

MINISTER HOPES FOR AUGUST DEAL WITH FRENCH OIL REFINING GROUP

Nigeria in talks over stake in Elf

BY PAUL BETTS IN PARIS

NIGERIA is negotiating with Elf Aquitaine, the French state-controlled oil refining and petrol distribution group, about acquiring a stake in the company...



Lukman: deal before August

Mr Lukman said Nigeria was interested in the French market and that Elf and his country had agreed the principles of the deal...

Brash to become chairman of NZ Reserve Bank

By Dal Hayward in Wellington

THE NEXT CHAIRMAN of the New Zealand Reserve Bank will be Mr Don Brash, currently managing director of Trust Bank...

Zia puts opposition in quandary

BY CHRISTINA LAMB IN ISLAMABAD

OPPOSITION parties in Pakistan are facing a serious dilemma in their approach to the political crisis caused by President Zia's sacking of the Government...



Corruption charges fly in India poll

By K.K. Sharma in New Delhi

HECTIC AND bitter campaigning for tomorrow's by-election in the Allahabad constituency in the northern Indian state of Uttar Pradesh ended last night amid renewed charges of corruption against Mr Rajiv Gandhi...

Dalai Lama to tell EC of plan for Tibetan rule

By Collins Macdougall in London

THE DALAI LAMA, Tibet's exiled religious leader, is to launch a new initiative on the future of Tibet in an address to members of the European Parliament in Strasbourg today...

Malaysia to try chief judge

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN government has announced a six member tribunal to try the head of the country's judiciary, Tun Salleh Abas, for alleged misconduct...

Kymmene Corporation: More market share from a sound economic base

By Victor Thorne, Helsinki



Coating at the mill: A growth sector for Kymmene in fine paper among paper buyers than to purchase from a 'home' mill. There is a second potential growth area facing Kymmene - that of the publication grades of paper...

Fundamental restructuring, a radical divestment of non-forest products activities and two important mergers are creating dynamic changes within Finland's Kymmene Group. The result should be a lean, more efficient and profitable forest industry concern, a major force in the sectors it knows best...

Kymmene Corporation, whose lending was originally primarily to finance trade. While the Morgan Grenfell takeover message to banks describes only two options, the debt forgiveness plan and legal action, the ANZ telex provides a further choice: payment of the first 30 per cent according to the plan, and then payments on the rest to be deferred for 10 years with interest capitalised before the North Koreans would start repaying the rest...

Asprey advertisement featuring a perfume bottle and the brand name.

Kymmene Corporation logo and contact information including Helsinki office and telephone numbers.



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UK NEWS

Labour leader acts fast to resolve new defence row

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL Kinnock, the Labour Party leader, moved quickly yesterday to stem the crisis created by the unexpected, late-night resignation of Mr Denis Davies as the opposition party's spokesman on defence.



Denis Davies: fed up with being humiliated

Within hours of Mr Davies' decision to step down, which was accompanied by a highly personal attack on both Mr Kinnock's leadership style and his latest stance on defence policy, Mr Martin O'Neill was appointed to fill the vacant post.

need for collective decisions during the course of Labour's current policy review. In remarks which will increase the leadership's unease, Mr David Blunkett, a member of Labour's ruling National Executive Committee, said that the words used by Mr Davies in resigning were very similar to those used by Mr Michael Heseltine, the former Defence Secretary, when describing his relationship with Prime Minister Mrs Margaret Thatcher.

THE BARLOW CLOWES AFFAIR

Investigators show interest in tracing £1m loan recipient

BY NICK BUNKER

INVESTIGATORS of the Barlow Clowes insolvency hope soon to interview Dr Peter Naylor, a former business associate of Mr Peter Clowes, who received a £1m loan from funds belonging to 11,000 investors in Gibraltar-based Barlow Clowes International (BCI).

about the £1m loan. Records at Companies House depict a close business relationship over the past few years between Mr Clowes and Dr Naylor, which culminated in Dr Naylor's appointment in May 1986 as a director of James Ferguson Holdings, the ultimate holding company for the Barlow Clowes group.

Former monopolies commission chairman to study DTI conduct

BY PETER RIDDELL, POLITICAL EDITOR

SIR GODFRAY Le Queuse, the former chairman of the Monopolies and Mergers Commission, has been appointed to look into the Department of Trade and Industry's handling of the Barlow Clowes affair.

Clowes and Partners and its successors, Barlow Clowes Gilt Managers, and if appropriate, by Barlow Clowes International, with particular reference to the need for licences under the Prevention of Fraud (Investments) Act 1958, the granting and renewal of such licences and the monitoring of the activities of the licence holder; and to provide a report as soon as possible.

A.H. Hermann examines the affair's complexities

Inquiry may open Pandora's box of legal problems

THE INDEPENDENT inquiry into the licensing of the Barlow Clowes investment group by the DTI is likely to concentrate on three issues. First, there is the question of licensing yardsticks. Second, should the licence have been renewed when the group was already under investigation?

insider trading. The appointment of an independent investigator to inquire into activities of a government department is a novelty. The Government probably considers such an inquiry more manageable than one under the Tribunals of Enquiry Act, 1921. Lord Young made certain reservations on the publication of the resulting report and these should enable him to cut out anything protected by the Official Secrets Act.

The situation would become more complicated if the inquiry led to prosecution of civil servants. In order to be able to defend themselves, they would have to be released from the restrictions imposed by the Official Secrets Act. If the Government were not ready to do so, a fair trial would become impossible. The most likely practical outcome would be plea-bargaining, the accused giving up part of their defence in exchange for a lower classification of the offence.

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Why so many companies are roaring about Bavaria.



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2. Bavaria's technically advanced economy employs one-fourth of all Germans active in electronics and electro-technology. It is the center of Germany's aerospace industries and excels in mechanical and automotive engineering.

3. Bavaria has a high concentration of user industries of advanced technology products - with electrical and mechanical engineering, automakers and aerospace industries in the lead.

4. Bavaria is a leading center of research in Europe - the home of the famous Max-Planck Institute and the Fraunhofer-Gesellschaft. More R & D staff are employed by Bavaria's industry than by that of any other federal state.

5. The Bavarian economy creates more new jobs than any other major German state. The state continues to attract future-oriented people from all over the country - on the average more than 20,000 a year.

6. Bavaria is committed to fostering entrepreneurial drive through cutting red tape, strengthening the state's infrastructure and supporting education, research, technology transfer, and a variety of investment incentives.

Not bad for a state known for beer and a charming lifestyle. If your company is looking for something to roar about in Europe, take a close look at Bavaria. You might be in for a rewarding surprise.



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EAST SUSSEX

The Financial Times proposes to publish this survey on:

15th July 1988

For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

All-party committee criticises Forestry Commission

'More should be done' on acid rain and aerosols

By JOHN HUNT

AIR POLLUTION, including related phenomena such as acid rain, is a major factor in damaging forests, a report published yesterday by the all-party House of Commons Environment Committee says.

The Committee also criticises the Forestry Commission, which has overall responsibility for forestry promotion in Britain, for refusing to accept such a connection.

The Committee says it is satisfied that atmospheric pollution is a major stress factor which, in combination with frost and drought, would harm trees.

The Forestry Commission stands alone in its refusal to accept a nexus between air pollution and tree damage, its report states.

The maximum efforts must be made now to eliminate the emissions from fossil fuel combustion into the atmosphere.

The 30 per cent proposal has annoyed environmentalists, who see it as a retreat from an earlier report by the same Committee that endorsed an EC proposal to reduce sulphur dioxide emis-

sions by 60 per cent by 1995. Nevertheless the criticisms to the report came at an embarrassing time for the Government.

Tomorrow Lord Cairncross, Environment Minister, will be attending an EC Council meeting in Luxembourg which is due to take crucial decisions on these matters.

Britain is eager to rebut allegations that it is "the dirty man of Europe" in environmental matters.

The Government can, however, take comfort from the Committee's conclusion that the draft EC legislation on air pollution would be unfair to Britain and its coal industry and could not be implemented.

The report does not go far enough for some. Yesterday Mr Ken Collins, Labour's environment spokesman in the European Parliament, described it as "a disorderly and shabby" retreat from the Committee's previous position on acid rain.

Mr Charles Secrett, campaigns co-ordinator of the environmental pressure group Friends of the Earth, called it "a step backwards."

Environment Committee, Air Pollution, HMSO, £11.82.

Electricity computer order may go to US

By Maurice Samuelson

POWERFUL computers in control of the distribution of electricity into the next century are expected to be ordered in the US rather than the UK, electricity industry sources said last night.

Technical staff at the Central Electricity Generating Board are understood to favour the system offered by Control Data Corporation of Minneapolis rather than a rival US-designed package developed by Ferranti, based at Wythenshawe in Manchester, north-west England.

Although worth only £20m to £30m, Ferranti's loss of this order would be a serious blow to the British computer industry's prestige.

Manchester MPs are trying to persuade the Government that the order should be placed locally.

The CEGB's main board is expected to make the final choice this week. Barring a last minute surprise, the letter of intent will go to CDC.

The computers, for controlling bulk transmission of electricity through the National Grid distribution network, will take four years to install and will not be operated until the board hands over the grid to a private company, acting on behalf of the 12 area distribution companies.

The board began work 11 years ago on a system for replacing computers installed in 1969, but ran into long overruns and rising costs from an original estimate of £15m to nearly £100m.

A Monopolies and Mergers Commission report spoke in July of the CEGB's "serious lapse in an otherwise good record of efficiency and service to the customer in the transmission of electricity."

On the commission's recommendation, the CEGB decided to invite outside computer companies to supply both the programmes and the computers for a new grid control centre, being built at Wokingham, Surrey, south-east England, and at four regional control centres.

Ferranti, which employs 1,800 people at Wythenshawe, recently won a contract for the computers to run the Belgian National Grid.

McVeigh affair hits Anglo-Irish relations like a tidal wave

By KIERAN COOKE IN DUBLIN

THE FAILURE of the British Government's application for the extradition of Mr Patrick McVeigh from Ireland has come as something of a tidal wave, following months of difficult discussions over new extradition arrangements passed by the Irish Parliament, or Dail, late last year.

In London the decision has generated almost as much shock and annoyance as England's defeat in the European Cup by the Irish soccer team last Sunday. In Dublin there is embarrassment.

Mr Desmond O'Malley, the leader of the minority Progressive Democrats Party, said yesterday that the whole extradition process between Ireland and Britain was now in jeopardy.

Mr Tom King, Britain's Secretary of State for Northern Ireland, meanwhile described the court's decision as a "significant setback" and said the matter would be raised at the next meeting of the Anglo-Irish conference.

Mr Ian Paisley, leader of the Democratic Unionist Party in Northern Ireland, said the court's decision showed that Dublin's commitment to fighting terrorism was "a colossal confidence trick".

Ironically, however, Justice Juriah Ruane's decision had little to do with Ireland's new extradition arrangements.

His judgment focused only on the question of identity. Justice Ruane said that no evidence had been provided to prove that the person in court, namely Mr McVeigh, was the same person named in the extradition warrant.

Both the Irish and British authorities say they did everything normally done to establish identity. But whatever the rights and wrongs of the judgment, there is little that can be done in the short term.

The appeal against the decision, announced by Mr Collins yesterday, will probably take a considerable time. Mr McVeigh, who was arrested last month to face extradition after serving seven years' imprisonment in the Republic for terrorist offences, is now a free man.

If the appeal fails, fresh extradition warrants will have to be prepared by the British authorities. Mr McVeigh, whose home address is in Belfast, in Northern

Ireland, will then have to be found.

There is no doubt of the exasperation felt in Dublin about this recent turn of events. In the past it was the British judiciary, and not the Irish, which was deemed to be at fault in holding up and creating difficulties in a number of extradition cases.

Britain had also objected to clauses in the new Irish extradition legislation which insisted that the British Attorney-General provide his Irish counterpart with evidence of offences committed by those wanted in the UK.

The arguments between the two sides were only settled recently. Mr McVeigh was the first person to be arrested since the issue was resolved and the British Attorney-General agreed to work the new procedures.

In time Monday's decision might come to be regarded as a judicial peculiarity rather than a direct slap in the face for Britain.

By announcing so quickly that it is to appeal against the decision, the Irish Government is clearly seeking to limit the extent of damage caused.

Others have, however, been quick to make political mileage out of the affair. A member of the Sinn Fein, the IRA's political wing, referred back to the weekend's surprise football result.

"It's our second victory over England in 24 hours" he said.

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# THE QUIET AMERICAN

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AA SUIT

Last month, American Airlines made a momentous decision. The engine they specified for their order of 50 Boeing 757s is the Rolls-Royce RB211-535E4. Said American Airlines, "It's a very quiet, fuel-efficient and extremely reliable engine that is also exceptionally cost-effective to operate."

It's also the only engine for the Boeing 757 approved by the airworthiness authorities for extended range operations over water and remote areas. Hardly surprising then, that to date, three quarters of all 757 customers have chosen it.

American Airlines, well on their way to building the youngest, quietest fleet in the US air transportation industry, have made a choice that will be good for them and good for their passengers.

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UK NEWS

Government 'Spycatcher' appeal begins

Spy book 'could be first of many'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE GOVERNMENT has begun its final attempt to enlist the support of the courts in its battle to stop newspapers publicising the revelations of former members of the security services such as Mr Peter Wright, a former MI5 officer whose memoirs, *Spycatcher*, have become a bestseller.

Five senior civil judges sitting in the House of Lords were told yesterday that the Government feared an "open season" for breaches of confidentiality by former members of the security service if the principle that they had a lifelong obligation not to talk about their jobs was not upheld.

Mr Robert Alexander, advocate for Sir Patrick Mayhew, the Attorney-General, said that 10 or more people were planning to write books about their own or their close relatives' work with the security service and that newspapers were willing to give publicity to them and "follow up the story".

The Government is appealing against the refusal of the High Court and Court of Appeal to impose a blanket ban on the British media publicising or commenting on Mr Wright's allegations.

It wants the Law Lords to make permanent the temporary



Mr Peter Wright and his wife yesterday

injunctions granted against the *Observer* and the *Guardian* in July 1986, and the *Sunday Times* in July 1987.

Mr Alexander said that it was sometimes asked what was the point of seeking to restrain further publication now that *Spycatcher* had been published in the US and elsewhere outside Britain, and many copies had come into the UK.

That approach, he said, did not give sufficient weight to the principle in issue, which remained as valid as it had been in September 1986, when the Government had gone to court in Australia to try to stop publication there of *Spycatcher*.

If the newspapers were now permitted to publicise the book because it had been published abroad, he argued, "our law will, in effect, bow to the laws of those countries which have permitted

publication. Mr Alexander said the Government was not seeking a complete ban on mentioning Mr Wright's allegations, which were now well known and had been summarised in the High Court judgment last year in the newspapers' favour.

It was, however, claiming a further injunction designed to prevent the media publishing accounts by other ex-members of the security services dealing with Mr Wright's allegations.

There was evidence, Mr Alexander said, that others "sharply and deeply" disagreed with Mr Wright's version of events and would like to publish their own versions, that there were newspapers willing to publicise and follow up the story, and that this was being held up only by the present appeal.

Mr Alexander said other former members of the security service were also seeking to publish books about aspects of their work. They included two former employees of GCHQ - the Government Communications Headquarters in Cheltenham - against whom injunctions had been obtained.

The hearing, which is expected to last two weeks, continues today.

French group buys Lucas subsidiary

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

LUCAS INDUSTRIES, the automotive and aerospace components group, said yesterday that it had sold its Crosland Filters subsidiary to Précision Mécanique Labinal of France for an undisclosed sum.

Crosland Filters makes air, fuel and lubricating oil filters for the motor industry and employs 700 at its base in Nottingham, the Midlands, and another 50 in the Netherlands and the Middle East. The divestment is not expected to cost jobs.

PM Labinal is a leading European filters maker and will add Crosland as a subsidiary. It will still supply the Lucas Service network with Crosland filters.

The sale of Crosland is the latest in a series of divestments that have marked Lucas's gradual withdrawal from mature, loss-making or low-margin businesses to concentrate on higher added components in which it has a

technological edge. Earlier this year it completed its withdrawal from the automotive lighting business by selling its 40 per cent stake in Fausto Corello, the Italian car lighting group, to Fiat, the Italian car maker.

It then partially withdrew from the car battery business by setting up a joint venture with Yuasa, the Japanese car battery maker, to run its Birmingham car battery plant, and last month announced the sale of its plastics components business to Wolters Schaberg, the Dutch industrial group.

Lucas said its strategy was to concentrate on braking systems, diesel systems, engine management systems and body systems. The stock market, meanwhile, is expecting news of a substantial US acquisition on the aerospace side following the rights issue in March which raised £162.7m.

Shipyards chief cool over break-up plan

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE CHAIRMAN of British Shipbuilders, the state-owned corporation, distanced himself yesterday from the Government's plans to break up the group by privatising most of its subsidiaries.

Mr John Lister told a House of Commons committee he did not see the logic of the Government's proposals while the corporation's prospects continued to improve.

His comments underline a rift between Government and the corporation's management, which would prefer to see it privatised as a single business.

This has been rejected by Mr Kenneth Clarke, the Industry Minister, who wants to end the flow of public funds into the corporation which has accumulated losses of £1.8bn since 1975.

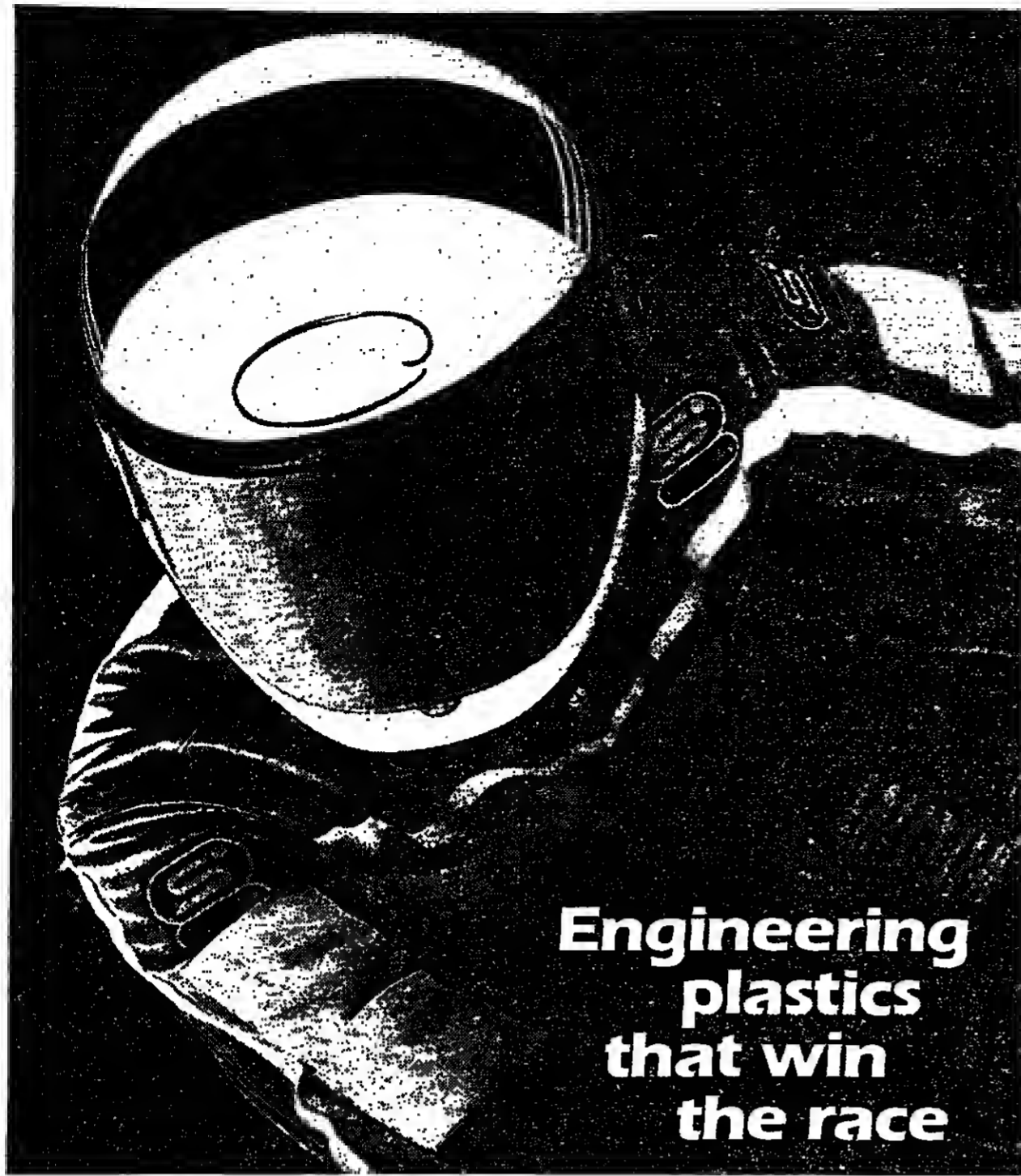
Mr Lister said talks on the sale of Glasgow's Govan yard to Kvaerner Industries of Norway would be completed in weeks. Other parts of the business

likely to be disposed of before the end of the year are: Devon-based Appledore Dredgers, the Clark King cold engine works, in Greenock; and a marine design consultancy.

Mr Lister did not oppose the sale of Govan outright, but he stressed that it was not a British Shipbuilders initiative.

When asked if he envisaged an appointment that he would preside over the corporation's fragmentation, Mr Lister said: "No, I would not have joined. I thought my job was to turn it round and make it viable." He said British Shipbuilders could break even in five to six years in its present form assuming prices and orders continued their present rise.

The removal of one yard from the corporation would reduce its volume below the point at which it could support the research and development required to stay competitive, he said.



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And that's the problem.

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A more intelligent approach.

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This puts more computer power 'on the desk' in each department.

Moreover, these computers can be linked together, and they can all share access to the company's central database.

So, when personnel decide to recruit, accounts get the salary details.

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When the designers have a brilliant new idea, the production people can look it over. And so on.

In short, distributed intelligence means better decision-making throughout your organisation.

It's the result of £150 million of research into how computers think. And it's the sort of breakthrough you'd only expect from a company that, each year, spends 10% of turnover on research and development.

For details of how to apply our intelligence call or write to Chris Hewson at Hewlett-Packard Ltd, FREEPOST, Ekkdale Road, Winnersh, Wokingham, Berks, RG11 5BR. Tel: (0734) 696622.

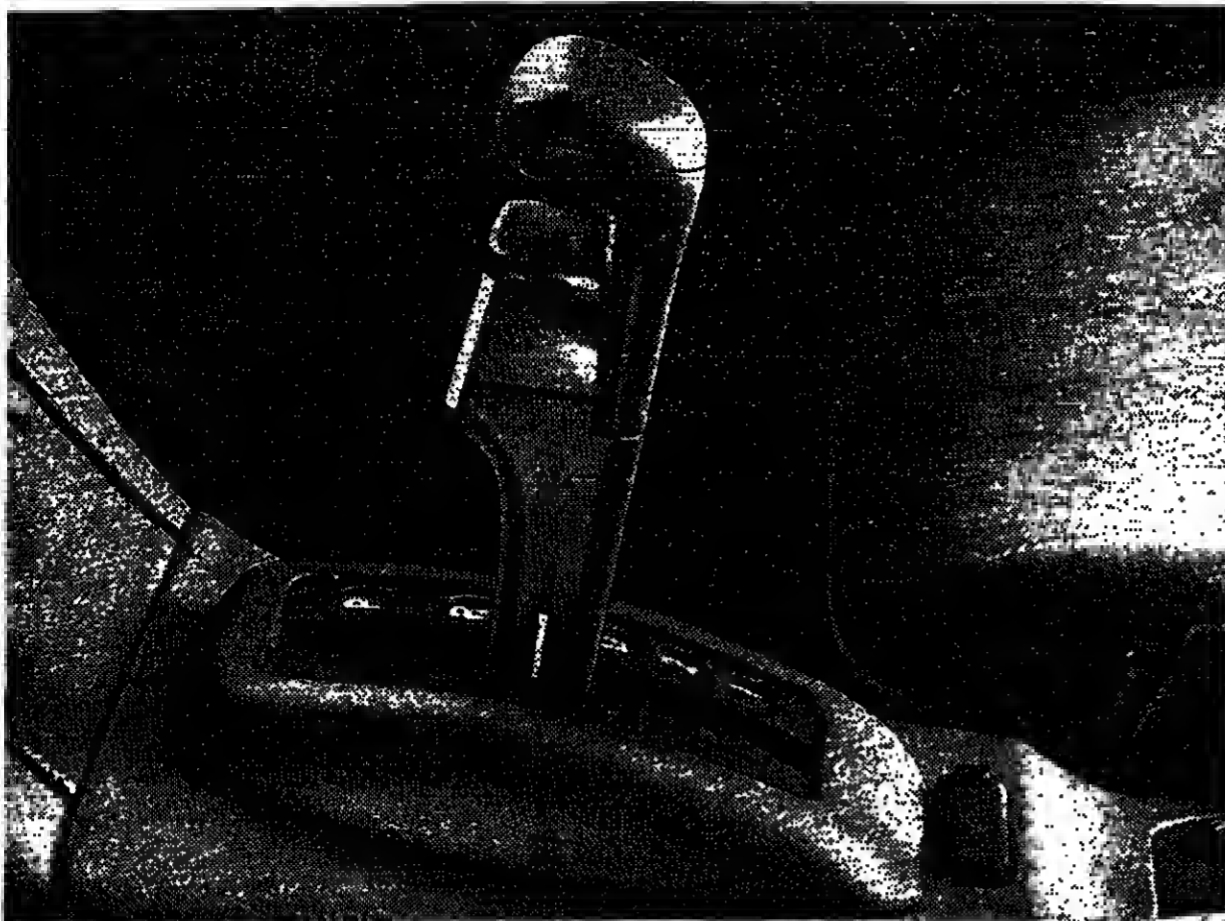
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# SO BE IT.



## THREE GEARBOXES.

Over the years, people have come to expect a lot from Vauxhall cars.

None have been particularly expensive. Yet at each price level, few cars have matched them for value.

How then will the new Senator be received?

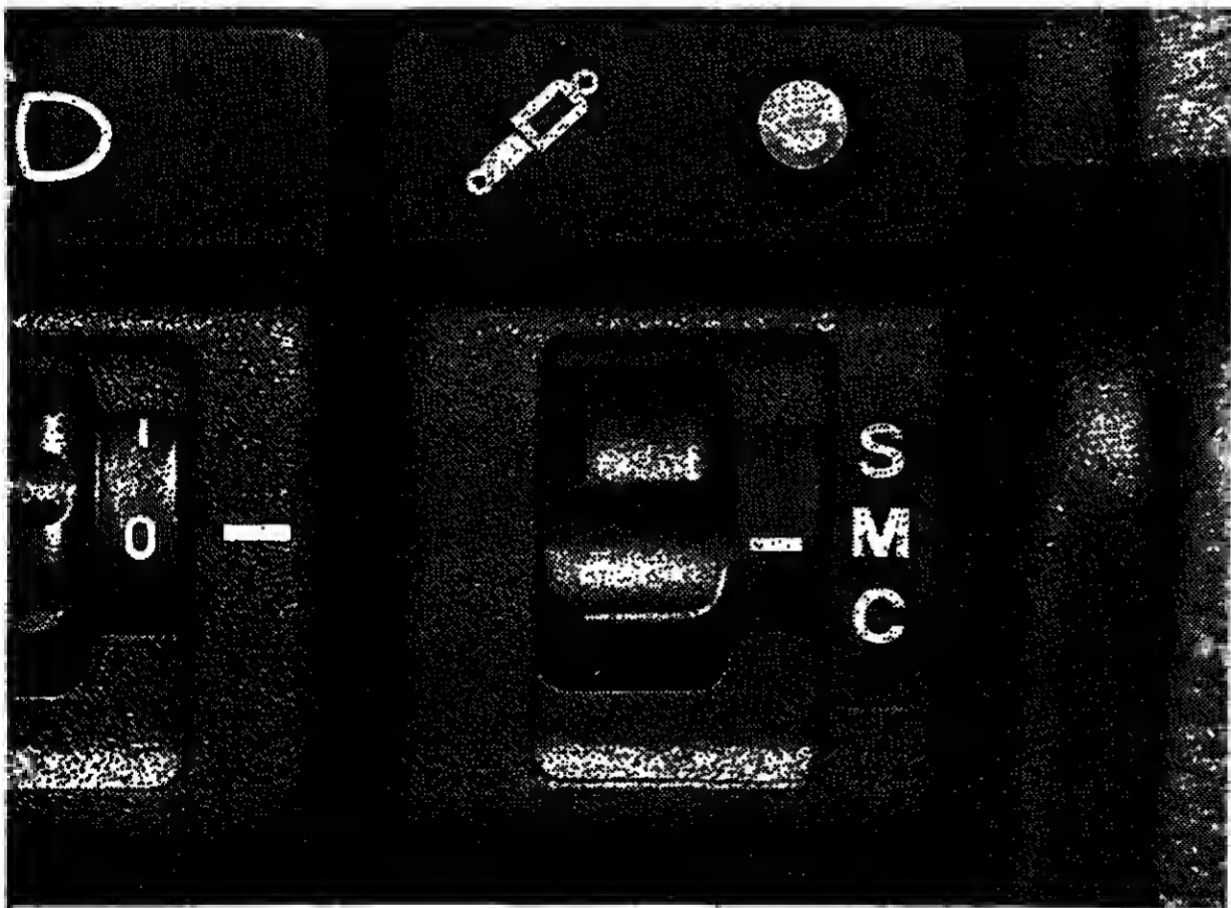
It replaces a car that had a fine reputation.

It has taken £700 million and 6 years to produce.

And at almost £21,000 for the CD version, it is the most expensive Vauxhall ever.

Expectations must be high indeed. Does the car live up to them?

Well, Frank Page in the Mail on Sunday described the Senator CD as "the car with everything"



## THREE SUSPENSIONS.

A fair appraisal if only it didn't imply the Senator has just one of everything.

In fact there is far more to it.

The gearbox on the 3.0i CD, for instance, is no ordinary four-speed automatic. It allows you to alter the gearing to suit your mood or the road ahead.

Engage 'Economy' and the gears change up early to save on petrol.

Into 'Power' and each shift is at higher revs to make the most of the Senator's performance.

Switch to 'Winter' and you pull away smoothly in third gear, thereby avoiding wheelspin starts on snow and ice.

And because a computer matches the revs to the gear ratios, you glide through the gears with barely a murmur.

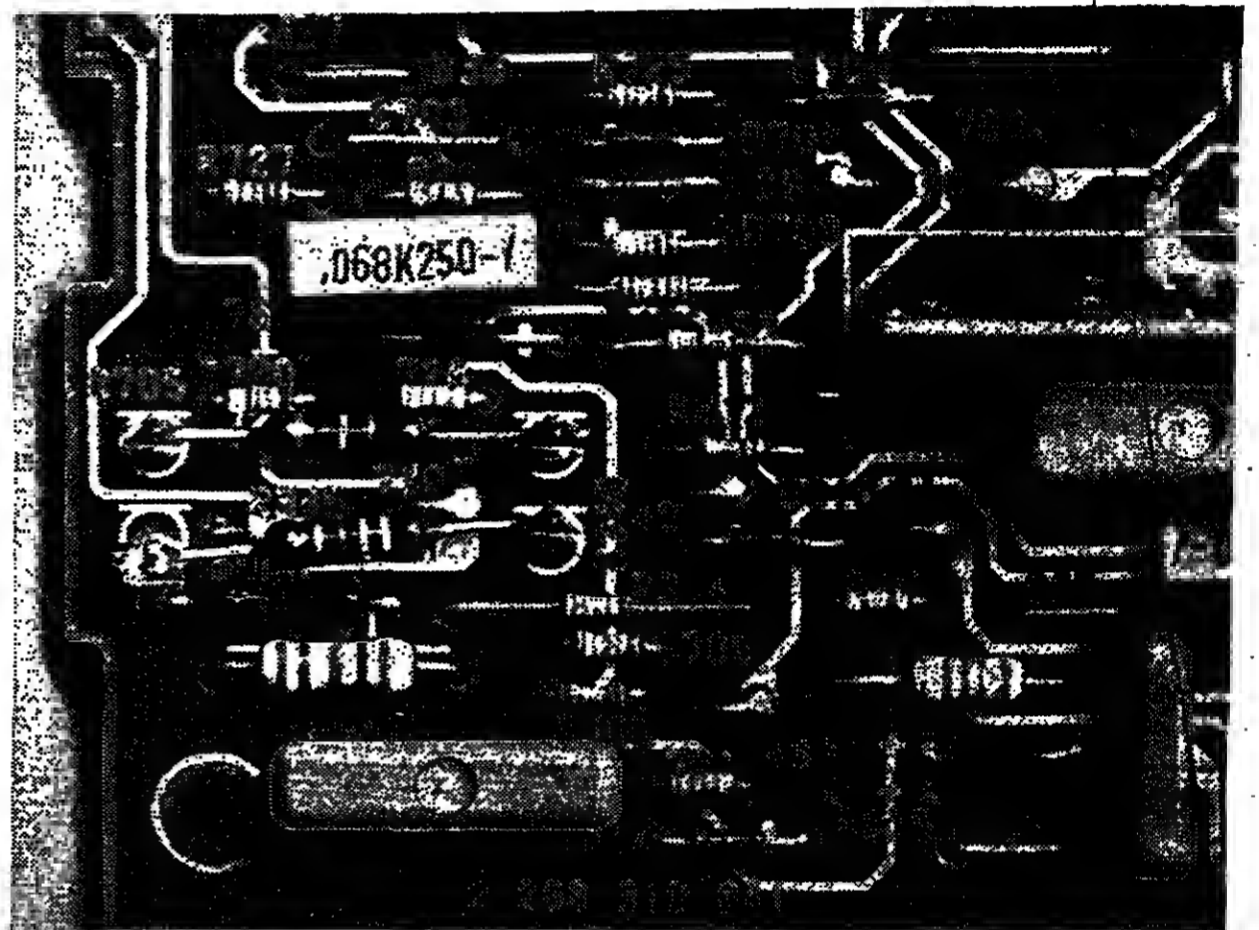
The engine too is the epitome of smoothness. Both the 2.5 and 3.0 have the very latest Bosch fuel injection and a six cylinder layout renowned for quiet efficiency.

Few rivals can muster their power. Or equal their top speeds of up to 130 mph and 137 mph respectively.

As Motor magazine says "the Vauxhall delivers its performance in a truly civilised manner."

It delivers you to your destination in similar fashion.

The Electronic Ride Control system contributes



## TEN COMPUTERS.

to an unruffled journey by allowing you to adjust the suspension.

Flick the switch to 'Comfort' and the ride softens so that rough roads pass unnoticed.

Change to 'Sports' and a firmer ride allows you to fully appreciate the handling.

Select 'Medium' and you have the best of both worlds, a ride that is controlled and comfortable.

"The smoothness as well as the quietness of the ride bears comparison with the best class standards" was Autocar's verdict.

They were equally impressed by our new approach to suspension design.

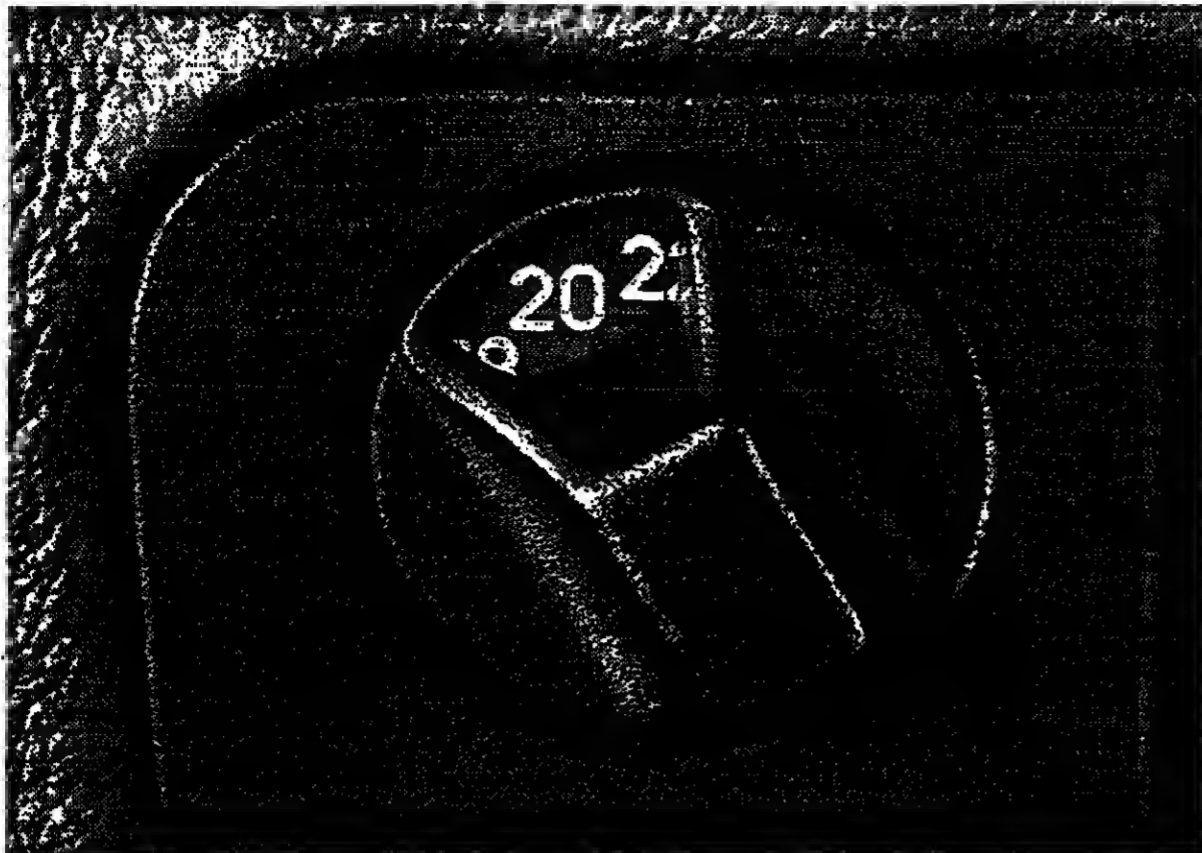
It's called Advanced Chassis Technology, and in an emergency manoeuvre, such as a lane change at speed or sudden braking, it can mean the difference between losing control and staying on course.

Our brakes won nothing but praise from Motor. (Discs all round with ABS on the Senator CD.)

"The fade-free power and progressiveness of the system are beyond criticism. Full marks again."

The feeling of security is enhanced by the steering.

Power steering, naturally, but it is speed-sensitive to give you easy and positive control at all speeds.



**THREE AIR-CONDITIONING SYSTEMS.**

A computer works out how. It is one of 10 boxes of electronic wizardry on the Senator CD.

They oversee everything from the seven-function trip computer to the cruise control and one-touch electric windows.

Even the heating is electronically controlled. So once set it won't waver.



**SIX DRIVER'S SEATS.**

And as there are independent controls for each side of the car, your front seat passenger can be hot without you being bothered.

Back seat passengers haven't been given the cold shoulder either. They have their own heat outlets and separate controls. Along with air-conditioning on the Senator CD.

It cleans the air and cools it. Even in the glovebox. Melted chocolate and warm soft drinks become a thing of the past.

As do backaches halfway through your journey. The seats, which can adjust in six different ways, took two and a half years to design. And involved the first-ever X-rays of people using prototype seating.

The results should leave our competitors feeling distinctly uncomfortable.

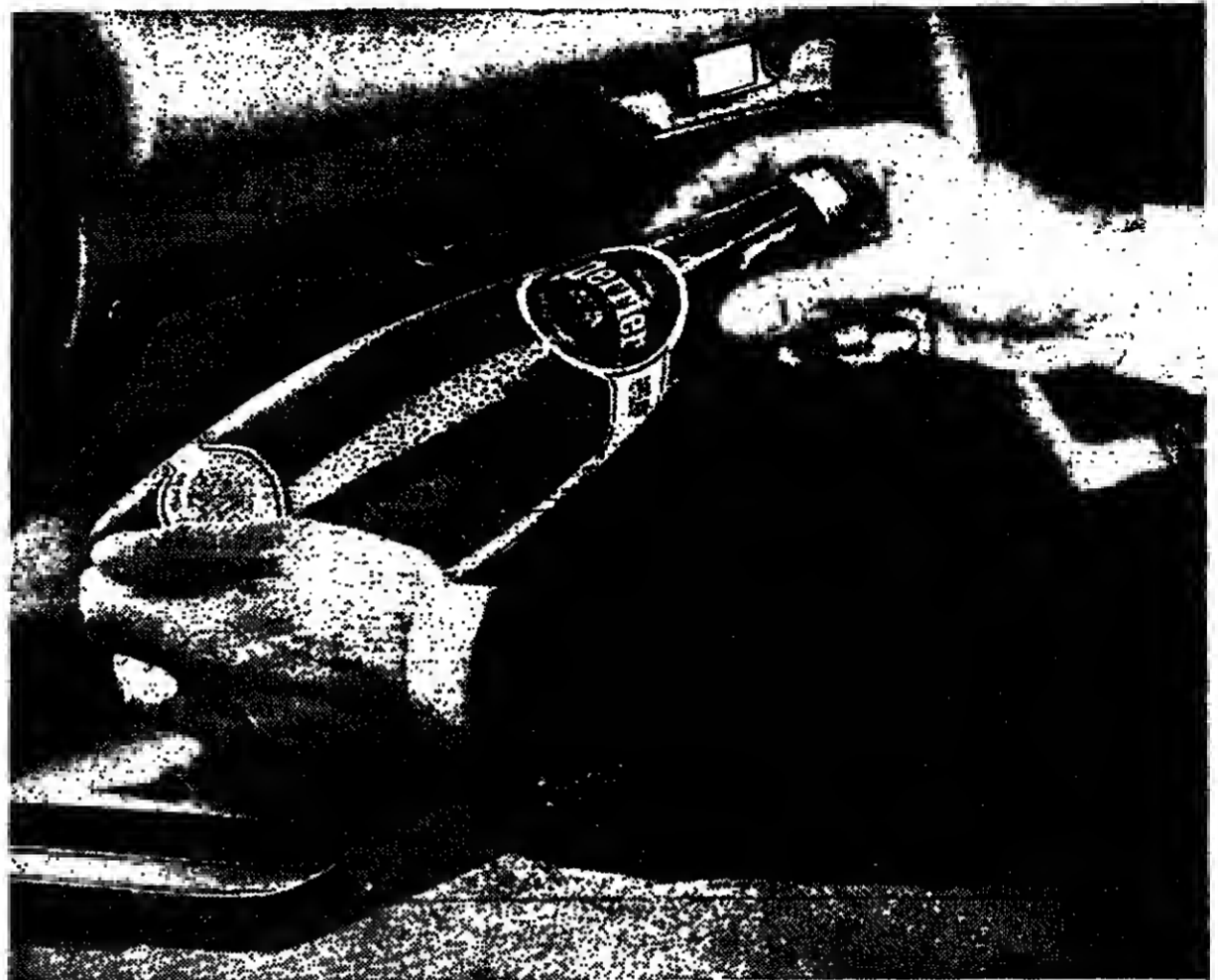
None of their front seats let you alter the lumbar support in two places.

(Naturally we also allow you to change the head-rest position and adjust the seat height.)

Nor do they run to height-adjustable seatbelts front and back.

Our boot too is exceptional. All 18.7 cu. ft. of it.

And if that isn't enough, simply fold forward the back seats, any of three different ways, to extend the boot through to the cabin.



**BUT ONLY ONE FRIDGE.**

Three suspensions, six speakers (yes, there is a security-coded stereo system), three gearboxes...

Surely that completes the picture?

Far from it.

As you will discover if you take a test-drive or telephone 0800 400 462 for an information pack.

That will also give you the opportunity to find out about all three versions of the Senator.

Your expectations will be exceeded by them all.

**THE SENATOR.**

**FROM £15,642 TO £20,904**



**VAUXHALL. ONCE DRIVEN, FOREVER SMITTEN.**

56 MPH 4.0A (7.0); URBAN CYCLE 39.8 (4.3); CONSTANT 75 MPH 33.2 (8.5) MANUFACTURER'S PERFORMANCE FIGURES. 2.5i AND 3.0i TOP SPEEDS WITH MANUAL (OPTIONAL) GEARBOX. ELECTRONIC RIDE CONTROL SYSTEM IS STANDARD ON THE CD AND OPTIONAL ON 2.5 AND 3.0i.

# Rogue elephant at the Hague

By Celia Hampton

THE EUROPEAN Commission in Brussels has long dropped an idea of being the universal policeman of European Community competition law. It seeks instead to make examples of what it considers to be especially pernicious behaviour.

Business might not regard the European regime as benign, but an accommodation has been reached on some matters that enables businessmen occasionally to collaborate in the fairly certain knowledge that the Commission will let them get on with it.

This modest element of certainty is no longer safe. A rogue elephant has entered the jungle - the Sixth Chamber of the European Court of Justice. It pursues a ruthless course in search of logic, and tramples down the fences which the Commission has allowed to be built around it.

The Philip Morris case last November<sup>1</sup> was its first serious adventure. It ruled that any anti-competitive terms agreed between competitors are illegal despite the fact that the purpose of the agreement is a transfer of company ownership.

This surprised everyone, including the Commission which, until publication of the judgment, seems to have assumed as most others did that dealings in the ownership of companies took the whole agreement outside the scope of the restrictive practices rules.

The Sixth Chamber has now stormed several more of the fences confining the Commission. Mr Jean-François Verstrynge of Commissioner Sutherland's private office spoke<sup>2</sup> of its recent judgment as "dangerous."

The case<sup>3</sup> involved French legislation of 1904 on funeral directors. The communes (local authorities) took responsibility for burial but could grant a concession to a private firm to provide the actual services. The firm would be given exclusive rights in the area.

Mme Bodson was a funeral director under a franchise from M Michel Leclerc, an entrepreneur renowned for his low prices. She was stopped by a court order from offering her services on the complaint of a local concessionary. This firm was a subsidiary of Pompes Funèbres Générales (PFG), itself a subsidiary in the Lyonnaise des Eaux group.

Between them, PFG subsidiaries had the exclusive conces-

sion in 9 per cent of French communes, but covering about a third of the population of France. Their prices were higher than Mme Bodson's.

Unconcoincidentally, the Sixth Chamber of the European Court ruled that any anti-competitive aspects of the concession agreements between the communes and the funeral directors were outside the prohibition of restrictive practices under Article 85 of the EC Treaty since they were entered to perform one of the communes' public duties.

The fact that the concession agreements themselves required the concessionaires to charge certain prices, however, was no defence to a charge of abusing a dominant position by inequitable pricing. These are not surprising rulings.

Much more surprising was the Sixth Chamber's decision to change the basis for judging whether the internal behaviour of a group of companies is outside the scope of the competition rules - the theory of the "economic unit."

Where subsidiaries in a group have no power to decide on their own course of action, and where inter-group restrictive practices achieve a distribution of tasks between the group's component parts, the group is treated as a single unit. As such it is not expected to compete with itself, so the prohibition of anti-competitive behaviour under Article 85 of the Treaty does not apply to its internal arrangements.

The Chamber did not contradict the idea, but said that this relationship of interdependence has to be proved to exist in every case. This will add greatly to the factual matters which business has to prove, and opens new avenues of potential Commission interference. It could justify the Commission's inquiring into suspected "conspiracies" between subsidiaries in a group and their "conspiracies" with the parent company.

This ruling was, moreover, wholly unnecessary. It did not form part of the court's core reasoning. The judgment immediately went on to deal with the dominant position of the PFG companies, and for this purpose proceeded on the assumption that they did in fact form an economic unit. Whether unity was or was not to be proved was extraneous to the argument.

Also dangerous to accepted thinking is the judgment's treatment of "trade between member states" - a concept which gives the Commission power under Article 86 to investigate what might otherwise pass as a matter for the national competition authorities, if at all.

A single EC country's market can be restricted in a way which will involve EC law if someone from another EC country might wish to compete in the supply of goods or services in that market - a broad base from which to start.

An abuse of a dominant position has to affect a substantial part of the EC market for the Commission to be interested. The Commission itself argued in the Bodson case that restriction of a mere 9 per cent of the French market would not have a perceptible impact on EC competition.

The judges disagreed, saying that PFG's monopoly was greater in terms of population. They also said that the competitive structure of the market has to be looked at to decide whether a competitor from another EC country wishing to compete could do so freely.

This is so broad that it would seem that even something quite local could be caught by the EC rules.

The judgment suggests various criteria for deciding whether dominance of the market exists and whether the group exercises sufficient economic power to affect the way in which independent competitors might behave.

These include the importance of the part of the market in which the group is wholly sheltered from competition, as well as the advantages conferred by the monopoly in the conduct of other business (the supply of funeral flowers, for instance), the group's position in places where it has not been granted monopoly privileges, and its financial resources.

The enterprises involved in the dominant arrangement might all be members of one group, but could be independent operators collectively enjoying dominance of the market.

In order to be in breach of the rules under Article 86, the enterprises must abuse their position. Clearly this can be done by charging customers unfair prices.

The judgment suggests a simple way of assessing this - com-

pare the prices charged in the places where there is an exclusive concession with the prices in other places.

The rule is somewhat wayward because this method of calculation was rejected in 1975 in the United Brands case, when the Court ruled that the Commission must first analyse the supplier's costs. The Sixth Chamber's apparent reversion to the old method will make the Commission's sums a lot easier to work out.

The Chamber also ruled that Article 80 of the EC Treaty, which regulates the behaviour of public undertakings and allows the Commission to take direct action to enforce their good conduct, applies to the sort of exclusive arrangements provided by private firms of undertakers under the French legislation.

This confirms the breadth of that article and will give the Commission some useful support in its action against public monopolies, such as the telecommunications authorities, where last month it adopted a policy of direct action despite the disapproval of the Council of Ministers.

The judgments of the Sixth Chamber in the Philip Morris and Bodson cases pose a considerable threat to any certainty in deciding what the law is. Both rulings are terse to the point of opacity and state novel propositions in a way which seems to assume that they are perfectly obvious.

That they represent logical extensions of the rules is undeniable, but they also accept theory and practice in a way which makes one wonder if the change was wholly intended.

It is significant that a senior member of the Commission staff should say that the Court is going further and faster than the Commission; where the Court leads, the Commission will surely follow, especially where it is plainly of so much benefit to its policies.

Mr Verstrynge<sup>4</sup> suggested that the time is ripe for a few test cases - a volunteer to shoot the rogue elephant, perhaps.

<sup>1</sup> Cases 142 & 156/84, FT Business Law Brief, December 1987.

<sup>2</sup> European Competition Policy and Your Company's Management Centre Europe, Brussels (Rue Carole 15), May 30-June 1 1988.

<sup>3</sup> Case 30/87, Bodson v SA Pompes Funèbres des Régions Libérées (unreported), May 4 1988.

# APPOINTMENTS

## Treasurer at Esso UK

ESSO UK has elected Mr R.E. Penn as treasurer from July 1. He is area manager Middle and Far East in the treasurer's department of Exxon Co International and succeeds Mr Chris Potter who is to take up an assignment with Exxon in the US.

PROFILE INFORMATION, a wholly-owned subsidiary of Financial Times Business Information, has appointed Mr Robin Oliphant its managing director. He was previously with Windsor Television as director of sales and marketing - cable services.

At the UNION BANK OF FINLAND, London branch, Mr Charles Bailey has joined as trade finance manager. He comes from the global trade services department of Midland Bank, where he led the team responsible for financing export contracts undertaken by the UK construction industry.

Mr Alan Fitzjohn, marketing director of Bacoglaze Systems, has been elected president of the ALUMINIUM WINDOW ASSOCIATION for the next two years.

Mr Kim Taylor-Smith, commercial director and company secretary, has been appointed to the board of FINLAN, Mr John Finlan, the founder of the group, and Mr Gerald Ames, former managing director, are both leaving the board. Mr Elliott Black, senior partner of Black, Graf and Co, is also resigning from the board due to other commitments.

THAMES WATER has made Mr John Hurcom its operations director. He joins Thames from British Telecom where he has been district general manager, Solent, for the past four years.

EMERSON ELECTRIC CO has made Mr Graham Wilson president of the Rancier division and Mr A.E. Jordan managing director of the industrial controls division. Mr Wilson was managing director of Emerson Electric (UK) and Mr Jordan operations director of Prestcold, a Copeland company.

OCCIDENTAL has appointed Mr Glenn Shurtz as president, Occidental Petroleum (Caledonia). He will be responsible for all aspects of the company's UK operations. He replaces Mr Joseph Snape who has been appointed president and general manager of Occidental de Columbia.

# Reorganisation of Lloyds Merchant Bank company

Following a review of corporate structure, LLOYDS INVESTMENT MANAGERS (LIM) has established five subsidiary companies. LIM is a subsidiary of Lloyds Merchant Bank (LMB) and the directors of the LIM board, which has been reconstituted, are also directors of LMB. The LIM board and the boards of the subsidiary companies are as follows:

At Lloyds Investment Managers Mr C.N. Hurst-Brown is executive chairman with Mr P.M.R. d'Adhemar and Mr B.T. Ackerman managing directors. Mr R.C.P. Brookhouse, Mr B.C. Clark, Mr E.W. Haines, Mr K.M. Jecks, Mr C.W. Knight and Mr P.J.A. Kysel have become directors.

At Lloyds Bank Fund Management (principal activities - open/closed end international funds) Mr Hurst-Brown becomes chairman, Mr Knight, managing director, and Mr Ackerman a director.

Lloyds Fund Management (principal activities - unit trust investment management; UK fixed income treasury manage-

ment; private client management) has Mr d'Adhemar as its chairman, Mr Ackerman, managing director, and Mr C.G. Anderson, Mr C.P. Croeland, Mr K. James, Mr R.H. Meadows, Mr G.C.A. Roads and Mr P.J. Slater directors.

At Lloyds International Fund Management (principal activities - institutional fund management for non-US overseas clients) Mr Hurst-Brown is chairman, Mr Brookhouse and Mr Kysel managing directors, while Mrs S.M. Curtis, Mr L.A. Ebbelwhite, Mr A.J. Harris, Mr C.W. Knight, and Mr E.G. Williams have been appointed directors.

Lloyds Investment Management International (principal activities - investment management for US clients) has Mr Hurst-Brown as its chairman, Mr Brookhouse and Mr Kysel as managing directors, and Mrs Curtis, Mr Ebbelwhite, Mr Harris, and Mr Williams as directors.

At Lloyds Pension Fund Management (principal activities - pension fund management including direct property man-



Mr C.N. Hurst-Brown, executive chairman of LLOYDS INVESTMENT MANAGERS

## Changes at N.M. Rothschild & Sons

Mr Bernard Myers will become managing director (group finance and international) of N.M. ROTHSCHILD & SONS on July 1 when Mr John Louden will be relinquishing his executive responsibilities within the Rothschild Group in order to pursue other business interests. Mr Louden will become a non-executive director of N.M. Rothschild & Sons and will remain a non-executive director of N.M. Rothschild Asset Management. Mr David Sullivan will become managing director (administration) of N.M. Rothschild & Sons on July 1.

Mr Guy Billing and Mr James Curry have been appointed directors of D.H. RIDOUT & SON, a subsidiary of the Bectone Group.

Mr Stuart Fraser, head of sales at NATIONWIDE CORPORATE FINANCE, has been appointed to the board.

Mr Bill Thewlis, chairman of Wharfedale, has become a non-executive director of CROSSROADS COMMERCIALS GROUP, the Yorkshire distributors for Volvo Trucks.

Mr Don Lennard has been made director and chief executive of

MARINE TECHNOLOGY DIRECTORATE. He has been acting temporary director and chief executive since December 1987.

Mr Bill McGrath has been appointed managing director of WICKES BUILDING SUPPLIES, the Wickes Group's UK retailing subsidiary. He is the founder of Builders Mate, which was acquired by Wickes last year.

At the annual meeting of the BANK OF SCOTLAND Mr A. Scott Bell and Mr Norman Lessels were appointed directors. Mr Bell is managing director of the Standard Life Assurance Co and Mr Lessels is a partner in the firm of Chiene & Tait and has been chairman of the Standard Life Assurance Co since March 1988.

SCIENCE SYSTEMS has appointed two directors: Mr Bryan Buckler, chief accountant, becomes financial director and Mr John Haynes operations director (Bristol).

Mr Rupert Whitins, managing director of Mitchell and Butlers COMPUTER GROUP, has been appointed managing director of BASS MITCHELL AND BUTLERS from Sep-

tember 26. He succeeds Mr Charles Darby who will remain as chairman.

Mr Paul Cattermull, managing director of Binder Hamlyn Investment Management, has been appointed a partner in BINDER HAMLYN ASSOCIATES.

ELECTRONIC DATA SYSTEMS has appointed Mr Clyde W. Ziegler managing director of its UK division to succeed Mr Floyd C. Trim from July 1.

Mr A.M. Thomas has been appointed managing director of BIBBY DISTRIBUTION SERVICES (Holdings), a subsidiary of the Bibby Line Group. He joins from the Unilever company Van den Berghs and Jurgens.

At Merrett Underwriting Agency Management Mr Gerry Ollislagar has been appointed property underwriter for Lloyd's syndicate 1068. He joins from CIGNA Corporation.

Mr Michael Whitaker has become chairman of the TARGET COMPUTER GROUP. He was head of electronics industry analysis at Chase Manhattan Securities.

Half the population of Holland are clients of the same bank. The Postbank.

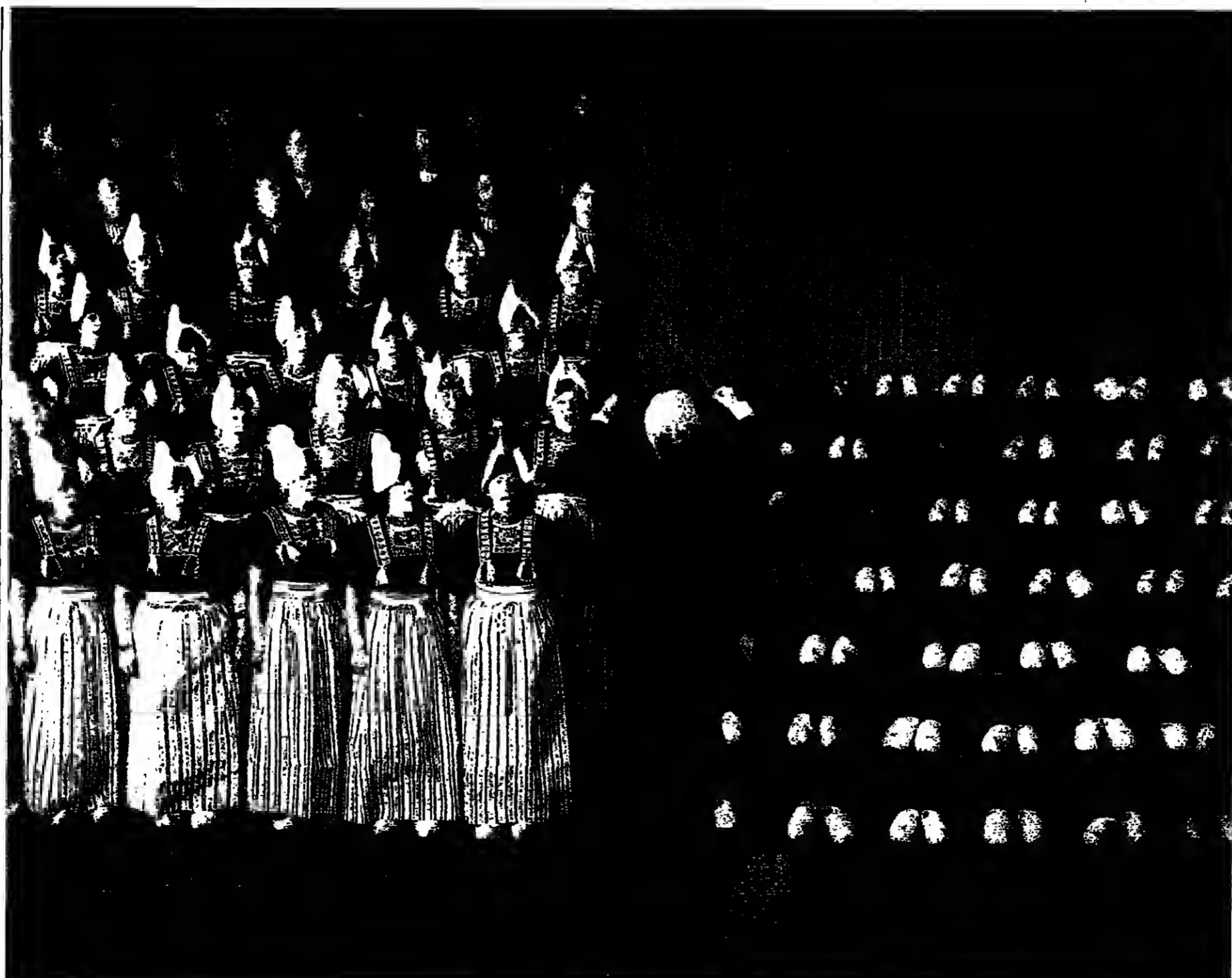
Now some may say there is room for improvement. But you could equally claim that this is a unique achievement. For any bank in the world.

So why, you may ask, does the Postbank have such a low international profile?

The answer is rather complicated. The Postbank is the result of a recent merger between two national phenomena, which, until now, have concentrated on the domestic market.

First the "Postgiro", which handles nearly 50% of all bank transfers in Holland and issues the country's most used cheques.

And second the "Rijkspostspaarbank", which holds 7 million savings accounts (the population is just 14 million) and is the second



# Imagine what would happen to Holland without the clients of the Postbank.

largest bank in the country for financing private property.

These two semi-governmental institutions have now joined forces and entered the market as the independent and commercial Postbank.

And the future aim of the Postbank? To intensify its relationship with the business world both at home and abroad.

At home that relationship already exists in the field of high-tech payment facilities with 80% of all Dutch businesses.

And abroad? Well, there is room for improvement there. Which is why we are introducing ourselves here.

Because although we may serve half of Holland, we're not planning to do international business by half.

**POSTBANK**

Monday June 15 1988

**Loyds**  
**Company**

**& Sons**

Mr. Harold Brown, Chairman of the Board of Directors of the Company, has been elected Chairman of the Board of Directors of the Company, and Mr. Clark, Secretary of the Company, has been elected Secretary of the Company.

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## He takes his secretary on every trip.

With the Cellnet system you need never be without the facilities of a secretary, even though you are miles away from the office.

Working men and women can work whatever hours they want. And working husbands need never be without the approval of their wives.

The Cellnet 24 hour operators give you help and advice whatever the time of day or night.

Our operators will find numbers and make connections just as your secretary does. We even have operators who will organise flowers or champagne for you before you arrive for an anniversary that slipped your memory.

Cellnet are pledged to provide the best possible service to all their subscribers wherever they are. And

Cellnet cover over 90% of the UK including the Channel Isles and the Isle of Man.

We provide the communication services you need in running a business, in keeping with our position as the world leaders in cellular phone technology.

Apart from constant communication with customers wherever you travel, there are the benefits of the 600 messaging service. This will alert you when messages are received and store them until you've finished and are ready to deal with them. Just as your secretary does.

And equipment has also been developed so that you can fax plans or documents, use computers, and plug into data systems. As easily as if you were in the office.

When you choose a cellphone be sure to specify the Cellnet system. It's revolutionised business and you

can be sure you are not just getting the most advanced system but you will be kept up-to-date with all the latest developments as they happen.

Which is why all working men and women should post the coupon, or phone us now on 0800 424 323.

To Cellnet, Freepost, Conrad House, Birmingham Road, Stratford-upon-Avon, Warwickshire CV37 0BR. Please send me a Cellnet information pack.

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Company \_\_\_\_\_

Position \_\_\_\_\_

Address \_\_\_\_\_

Telephone Number \_\_\_\_\_



TECHNOLOGY

Clive Cookson examines international efforts to make coal a cheaper and cleaner source of fuel for power stations

# Cleaner coal warms up for a freer energy market

GROWING environmental concern about the pollution caused by traditional coal-fired power stations and uncertainty about the long-term future of nuclear power have prompted an upsurge of international interest in new "clean coal" technologies.

The extent of the world-wide research effort will become clear at the international Clean Coal Conference, sponsored by British Coal, the International Coal Development Institute and the environmental group Friends of the Earth, which is being held in London today and tomorrow.

Meanwhile, the pollution associated with coal burning - particularly acid rain - will be on the agenda at tomorrow's meeting of European Community environment ministers, when the UK Government is likely to come under pressure to accept much stronger controls on power station emissions.

Walt Patterson, the energy consultant chairing the conference session on coal combustion technology, says international enthusiasm for new types of coal-fired power station is growing, but the UK Government and Central Electricity Generating Board (CEGB) have so far shown little interest.

Britain's main experimental plant for advanced coal technology, at Grimethorpe in South Yorkshire, is threatened with closure because the CEGB has decided not to renew a three-year agreement with British Coal to share research costs. British Coal says that it can only contribute part of the £38m required to continue work at Grimethorpe and has asked the Energy Department to help with the rest.

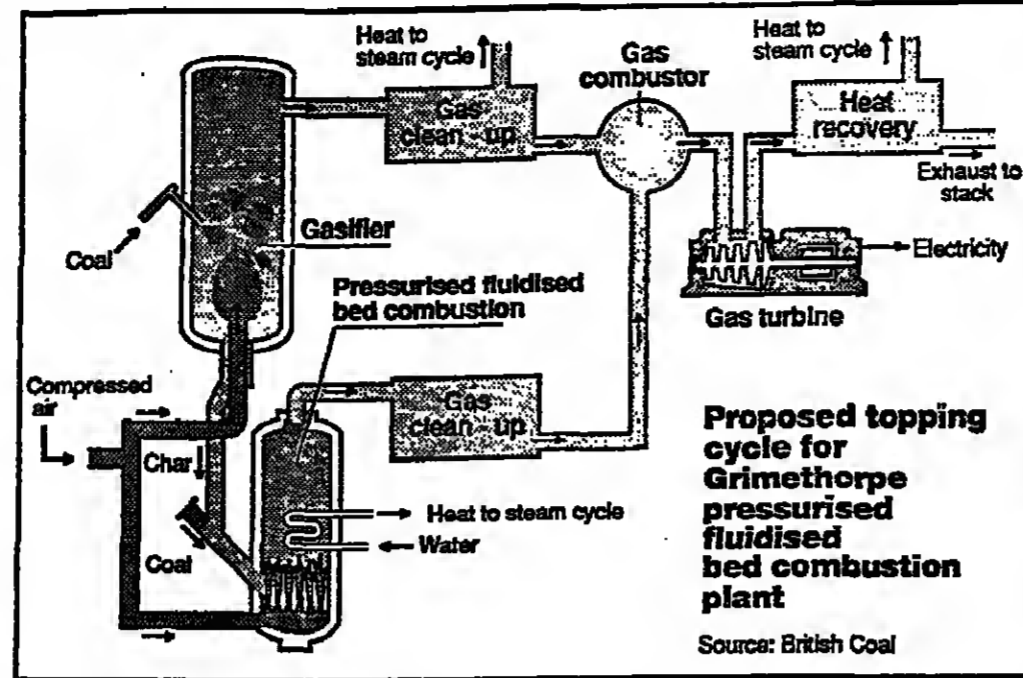
British Coal officials argue that

the UK Government spends far less than other Western governments on coal research and development - only \$9 per tonne of coal used for power generation, compared with the US Government's \$19 per tonne, West Germany's \$34 per tonne and Japan's \$59 per tonne. "Our national effort on energy R&D is heavily biased towards nuclear power and it is about time fossil fuels got a fair bite of the cherry," says Stephen Dawes, director of Grimethorpe.

For its part, the CEGB says it cannot justify spending more money on Grimethorpe because the process being developed would work well only in relatively small power stations - up to about 300 megawatts (MW). It says it can give UK electricity consumers better value for money by going for economies of scale and building large conventional plants with 900 MW turbines, generators, even though these will require expensive "flue gas desulphurisation" (FGD) equipment to reduce sulphur dioxide emissions, one of the main causes of acid rain. FGD plant is expected to add 15 per cent to the cost of the CEGB's next generation of coal-fired stations.

"The CEGB is locked into the dinosaur view that it has to build bigger and bigger power stations," says Chris Whitley, deputy secretary general of the London-based International Coal Development Institute. "But in fact there is going to be a demand for a proliferation of small power stations in Britain, as there is elsewhere in the world."

A CEGB spokesman says that the UK will need a lot of new



## Stepping on the gas

Integrated gasification combined cycle (IGCC) plants have a gasifier, in which coal reacts with steam and air or oxygen to produce a raw fuel gas containing carbon monoxide, hydrogen and methane. This gas is cleaned chemically to remove pollutants before firing in a gas turbine to generate electricity. The hot exhaust is then used to produce steam to power another turbine.

British Gas and Lurgi, the West German engineering company, have been working together on coal gasification since the 1950s. Until recently the purpose of their "slagging gasifier" was simply to produce gas from coal, but plentiful supplies of natural gas mean this remains uneconomic.

So the two companies are now focusing on power generation. Since 1986 the British Gas/Lurgi gasifier in Westfield, Scotland, has driven a Rolls Royce SR50 gas turbine to produce electricity for the South of Scotland Electricity Board. To the delight of British Gas, the CEGB now sees more potential for future coal-fired power stations in its gasification technology than in British Coal's Grimethorpe plant.

Several other companies have developed gasifiers for IGCC, particularly in the US. The world's largest IGCC demonstration plant, at Cool Water in California, uses a Texaco gasifier. Cool Water has operated successfully since its completion - ahead of schedule and under budget - in 1984.

According to the Electric Power Research Institute (EPRI), one of the sponsors, the results from Cool Water show that a commercial IGCC plant could generate electricity more cheaply and cleanly than a conventional coal-fired plant with FGD.

Michael Gluckman, technical director of EPRI's advanced power systems division, says IGCC is a superior technology to FGD because pollutants can be removed more effectively, it produces less solid waste and it has a commercial by-product in sulphur-based chemicals.

Sven Jansson, of ABB, disagrees. He points out, for example, that FGD plants can burn lower quality coal than a gasifier.

British Coal is working on a combination of gasification with PFBC. Its proposed "topping cycle" would have a separate gasifier to boost the temperature of the gases entering the gas turbine. Conventional power stations with FGD convert 37 per cent of the coal's energy into electricity, whereas British Coal says that the topping cycle can improve efficiency to 44 per cent.

## Power without acid rain

Fluidised bed combustion involves burning crushed coal in a bed of inert particles, such as ash, sand or powdered limestone. An upward flow of air keeps the bed in constant motion, bubbling like a boiling kettle. An FBC power plant has one turbine driven by steam produced in boiler tubes immersed in the fluidised bed, and a second driven by the hot exhaust gases.

FBC systems have two immediate advantages. The first is that they can burn a wide variety of materials, including rocks so low in coal that it just shows as black flecks in the surrounding stone. The second is pollution control. Because the FBC combustion temperature is lower than in a conventional burner, less NOx is formed. Calcium-containing minerals (limestone or dolomite) in the bed trap any sulphur in the burning fuel to form solid calcium sulphate; emissions of sulphur dioxide gas can be reduced by more than 90 per cent.

The type of FBC with the best track record of power generation is known as circulating fluidised bed combustion (CFBC). In this process the air flows so fast that the bed loses its clearly defined surface and a swirling cloud of particles fills the combustion chamber.

The leading supplier of CFBC systems is the Finnish engineering company Ahlstrom. Its largest plant is a 291 MW unit at Nucila in the US. As Walt Patterson remarks in a recent report on advanced coal-use technology for Financial Times Business Information, CFBC has achieved

## Power without acid rain

remarkable success over the last decade without any significant funding from government sources.

An important variant of FBC - pressurised fluidised combustion or PFBC - has received considerable government support, without so far achieving as much success as CFBC. Its main feature is that the entire combustion chamber operates at a pressure between five and 20 atmospheres. This means that the plant occupies much less space (and should therefore be less expensive to build) than FBC at normal atmospheric pressure; and that the exhaust gases can be expanded more effectively through a gas turbine.

PFBC was invented by British Coal researchers and much of the pioneering development work was done at Grimethorpe. But the only three commercial PFBC orders so far have been won by ABB, the giant Swedish-Swiss engineering group. The first and largest is a combined heat and power plant due to open in Stockholm late next year, which will generate 135 MW of electricity and 220 MW of heat for the city's district heating system, while meeting extremely strict emission control requirements. The other two ABB plants are under construction in Spain and the US (in partnership with Babcock & Wilcox).

Sven Jansson of ABB expects these orders to lead to widespread commercialisation of PFBC during the 1990s, particularly in Sweden where the Government is trying to phase out nuclear power without adding to the acid rain that is blamed for poisoning the country's lakes and forests.

# Europe risks falling behind in IT

BY CLIVE COOKSON

A NEW report from Logica, the UK computer software company, which analyses national policies on the communications and computer industries, warns that it could be too late for Europe to prevent the US and Japan dominating the international market for information technology.

The report says that the US Government has taken a much more active role than its European counterparts in persuading Japan to tackle its trade surplus in computing and communications products, which has grown from \$3.3bn in 1980 to \$15.6bn in 1986 and a projected \$25bn in 1990.

European governments have been preoccupied with their own problems of creating a single European market and have lost sight of the international context of the informatics industry," Logica says.

The growing industrial importance of information technology calls it - is forcing governments to play a more active role. But Logica points to changes in the way they participate:

- Governments are moving away from direct intervention towards regulation. The state has often been directly involved through the control of post, telegraph and telephone (PTT) monopolies, the creation of "national champions" among equipment suppliers and large-scale support for research and development. Now governments are becoming less of a player and more of a referee.
- They increasingly address the demand side of the industry rather than the supply side. Telecommunications policies are

directed towards giving users a wider choice and better services, by liberalising the market for equipment and, in some countries, privatising PTTs. Computer policies concentrate on promoting open standards, providing training schemes and conducting awareness campaigns.

- National policies designed to protect local markets are being replaced by ones designed to attract international suppliers and users. Multinational companies can now locate their activities wherever they choose. "Rather than directing the informatics industry, governments are increasingly leaving to compete with each other to attract it."

Logica argues that, with the convergence of computing and communications technologies, it makes sense to talk about a global informatics industry. An increasing range of goods and services combine information storage and processing with communications.

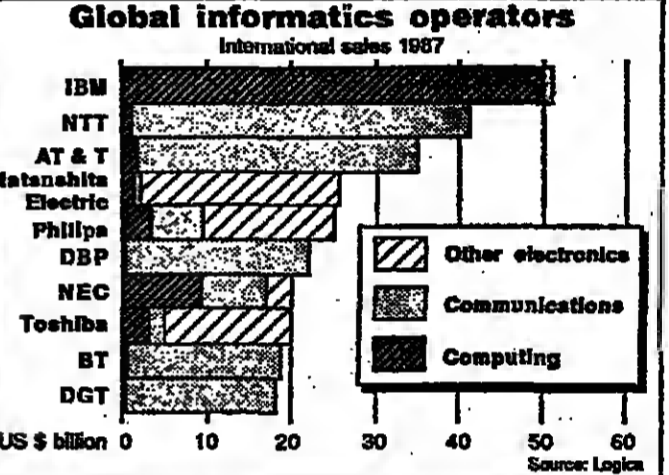
The company has analysed the world's leading "informatics operators" and discovered that the top 10 (in terms of sales) include five PTTs or former PTTs: NTT of Japan, AT&T of the US, DBT of West Germany, British Telecom and DGT of France. The others primarily supply computers or electronic goods.

Logica concludes: "It is the Japanese electronics giants, NEC, Fujitsu, Hitachi, Toshiba et al which now seem best positioned to exploit the information age. They typically have a vertically integrated structure which stretches from component manufacture through computers and communications to consumer electronics and broadcasting."

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- They increasingly address the demand side of the industry rather than the supply side. Telecommunications policies are



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Notice is hereby given that a dividend of 2.45p per share for the half-year ended 30 June 1988 will be paid on 31 August 1988 to holders of the Cumulative Preference Shares registered in the books of the Company at the close of business on 28 July 1988.

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 14 June 1988

**DOCKLANDS PROPERTIES**

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 By: BARQUE ROUSSEAU, Agent Bank.

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The Financial Times proposes to publish this survey on:

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Michael Cassell on the implications for the Labour Party of Denzil Davies's resignation

MR NEIL Kinnock's attempt to secure a cautious shift in Labour's commitment to unilateral nuclear disarmament appears to have run into trouble.



Handing in his portfolio: Denzil Davies (right) with Labour leader Neil Kinnock

The fallout after the Kinnock bombshell

The delay in considering defence issues stemmed partly from the delicacy of the subject, partly from the leadership's wish to monitor international progress on arms reduction before reshaping Labour's own strategy.

With seven policy groups pencilled in the outlines of future policy on most issues over the past months, defence was effectively shelved.

It is Mr Kinnock who has now forced the pace, if his intention, by exposing his views on TV, was to signal a start to the necessary debate on defence and to help him gauge the readiness of his party to consider change, he has succeeded spectacularly.

Some party critics claim he has gravely miscalculated the likely extent of the backlash and that he has undermined not only his own position but that of Mr Roy Hattersley, his deputy. It is clear Mr Kinnock did not expect the calculated snub earlier this month from the Transport & General Workers' Union, which decided to post one of its expected members to the Kinnock-Hattersley ticket in the forthcoming leadership election.

The Soviet economy Joint ventures: a way to make perestroika work

George Soros

THE INTERNAL transformation under way in the Soviet Union is potentially the most promising historical development since the end of the Second World War.

rewards available are the perks of office, and they have nothing to do with efficiency. There is a truly astonishing lack of understanding of the market mechanism at all levels of society.

It would be much better for the Soviet Union to allocate a large amount of hard currency for consumer goods. This would help establish the value of money and build immediate popular support for perestroika.

To ensure critical mass, several billion dollars' worth of rubles would have to be auctioned off every year. The auctions could fall off gradually as both exports and import substitution pick up.

'This provision has two vices'

From Mr Christopher Morcom. Sir, for the first time in more than 30 years, Her Majesty's Government has, in the Copyright, Designs and Patents Bill, the opportunity and the means to remove some of the most objectionable of our existing copyright law.

Letters to the Editor

The true cost of put convertibles

From Mr George Lemos. Sir, The judicious observations on put convertibles by Lex (June 13) omit a further significant problem for the companies which issued them: that the deductibility of the tax on the interest paid on the convertibles is doubtful, and may be illegal.

Productivity applies to the NHS

From Mr Stephen Hill. Sir, Mr Joe Rogaly's article carries the subtitle: "If the national health service (NHS) is made more efficient it will cost more" (June 10).

Proposals to end world hunger

From Mr John Mitchell. Sir, Governor Dukakis is now not only likely to be the Democratic candidate for the Presidency, but the next President of the United States (Leader, June 10). His views on US foreign policy are crucial to the world.

Port facilities change to serve the patterns of modern shipping

From Mr Nigel Walker. Sir, it is a pity that, in an otherwise excellent survey on the City of Cardiff (Financial Times, June 9), Anthony Moreton seeks to perpetuate the myth that the port of Cardiff is dead or dying.

steel and coal, and warehouses filled to capacity with fruit and vegetables, metal and timber products. Indeed, additional warehouse accommodation is currently under construction at Cardiff.

Perhaps Mr Moreton would like to consider the following: In 1987 the port of Cardiff handled a total of 2,600,000 tonnes of cargo, an increase of nearly 350,000 tonnes of cargo over and above 1985.

realise that this is merely the result of the changing face of port facilities needed to serve the patterns of modern shipping industry.

PLESSEY HOTLINE PLESSEY

\$20m FUEL PUMP BOOST

A major contract to supply engine fuel pump boosters for the new McDonnell Douglas C17A military transport aircraft for the US Air Force has a potential value of more than \$20 million over the next ten years.

Plessey is a recognised leader in aircraft fuel pumping systems and will be providing pumps of proven design capable of operating at extremes of altitude and fuel temperature.

removal techniques will be used to cope with fuel that is near-boiling.



Plessey Nautis command and control display console

IN THE LEAD WITH SDI

Plessey has won the first strategic defence initiative (SDI) hardware development contract awarded to a non-USA company.

The technology has been developed from Plessey involvement in aerospace fluidic systems in which the interaction of gas flows at different pressures is used as a means of pneumatic control.

One advantage of such a system is its ability to operate at very high temperatures that conventional systems could not handle.

This contract is one of a number awarded to Plessey for SDI developments. Some of the interface and test activities will be sub-contracted to Boeing Aerospace of Seattle.

NAUTIS FIRST FOR US NAVY

The first of two Nautis-M tactical display systems for the US Navy was delivered by Plessey six months ahead of schedule.

Nautis is being evaluated for the navy's new Avenger class mine countermeasures (MCM) ships under a NATO comparative test programme.

The systems are the US Navy's first for MCM command and control.

The NATO test is taking advantage of a British MCM programme in which Nautis,

the third generation of Plessey integrated navigation, command and control systems to be supplied to the Royal Navy, is being delivered for installation in the latest minehunters.

Sea trials of Nautis in the USA are scheduled to begin this autumn.

Nautis is also proposed for the US Navy's new MHC-51 minehunter.

70,000 CLUNK CLICKS

Plessey played a key role in Rover Group's launch of the Sterling model in the USA.

To meet new US safety requirements, cars sold there now have to be fitted with passive restraint seat belts.

Six car bodies with 12 seat belts installed were placed in a Plessey climatic test chamber at Titchfield, Hampshire, and subjected to temperatures of minus 30°C - plus 70°C and relative humidity of 65%.

With the aid of a computer, the seat belts were activated 70,000 times over a period of more than 400 hours.

Successful completion of the test was an important part of the total package for validating the restraint system.

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Bob King in Taipei reports on the run-up to the ruling Nationalist Party congress

Taiwan wrestles with reform

SEEMING chaos rules as Taiwan prepares for the 13th congress of the ruling Nationalist Party in July.

The Taiwanese Parliament has erupted time and again in fist-fights and name-calling, workers have pelted trade officials with eggs...



Police use clubs and shields to subdue violent riots in central Taipei which followed a demonstration by farmers last month

which would have provoked the iron fist in earlier years. So intense has the agitation been, in fact, that many residents worry Taiwan's dear-bought stability of past decades, and the economic prosperity that followed, might be in danger.

At the same time, the Government has come under fire from labour and farmers groups for its handling of their interests - fire

China should be drastically enlarged, even to the point of allowing Chinese to visit Taiwan. They also believe that the Government should allow any Taiwan resident - not just those with close relatives in China - to visit there, on the grounds that more private contacts will better acquaint the Chinese rank-and-file with developments in the "other China."

Recent comments to leading industrialists by President Lee Teng-hui, Chiang Ching-kuo's anointed successor and acting party chairman, indicate that the Government for the first time is considering the pros and cons of allowing investments in China if they can be shown to be in the national interest.

The Taiwan-born Mr Lee has said he emphasises lessening tensions across the Taiwan Straits. Subsequent government pro-

Hewlett-Packard chief says chip shortage is hitting sales

BY TERRY DODSWORTH IN LONDON AND LOUISE KEHOE IN SAN FRANCISCO

THE WORLD shortage of memory chips is likely to intensify in the second half of this year, Mr Young, president of the Hewlett-Packard computer group of the US, said yesterday.

Mr Alan Sngar, chairman of Amstrad computer group put up prices of its personal computers by £50 (800) at the beginning of the year to compensate for its additional costs.

Spot market prices of the present standard range of memory chips - 256K dynamic random access memories (DRAMs) - are widely quoted as high as \$15 for products selling for \$3 last year, even for large volume purchasers.

UK outlines farmland scheme

By Bridget Bloom in London

DETAILS OF Europe's first official scheme to pay farmers to leave arable farmland idle were announced in the UK yesterday.

The scheme will cost £16m in 1988-89 and £22m in each of the two following years.

In a reply to Mr David Clark, Labour spokesman on agriculture, Mr MacGregor denied that the scheme would simply pay farmers for doing nothing.

G7 likely to augment indicator list

Continued from Page 1
excluded it from the second index. Gold is to be given a weight of 5 per cent in the index which includes oil and 10 per cent in the non-oil basket.

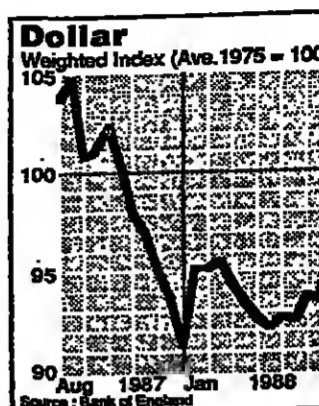
US tobacco ruling sets lawyers alight with enthusiasm

By Anatole Kaletsky in New York

THE US tobacco industry was putting a brave face yesterday on its first defeat in a product liability lawsuit. But plaintiffs' attorneys around the country were jubilant about Monday night's decision by a Federal court to award \$400,000 in damages to the husband of a New Jersey woman who died of lung cancer in 1984 after a lifetime of heavy smoking.

But the tobacco industry's opponents predicted that thousands of other cancer victims and their families would be encouraged to file lawsuits against the cigarette companies after Monday's award.

THE LEX COLUMN
One deficit down, one to go



Enjoy the summer rally while it lasts. The US trade data for April was the best of all possible outcomes, and while the usual provisos about the dangers of attaching undue significance to one month's figures need to be underlined, it would be churlish to ignore the potentially optimistic message coming out of the latest figures.

mans, which does not sell cigarettes in the US, was at first deemed to be worth 5 per cent less. More startling was how quickly the shares recovered, and having received a little guidance from BATs about how the apparently devastating judgment should be interpreted, investors at one stage judged BATs to be worth more as a result of the news.

months ago, and the extraordinary charge included such items as the cost of franchising its milk rounds, which arguably belonged above the line. Meanwhile, the benefits from rationalisation at Bowers seemed to have been brought through somewhat hastily.

Even if such doubts are warranted, the company has a strong enough story to tell of its immediate past and prospects to frighten any bidder, without using any fancy devices. A 28 per cent increase in UK profits in the second half shows that its savage efficiency drive of the past two years and withdrawal from the US is paying off. While the gains from that process should give profits another large kick forward this year to \$70m or so, beyond that acquisitions will be needed to sustain growth at a market pace.

Paris bourse
There will no doubt be some smug self-satisfaction in the London and New York stock exchanges at the incredible financial mess which has led to yesterday's abrupt departure of the two top officials at the French stock exchange.

World Weather table with columns for location, temperature, and other weather-related data.

Moscow wins respite in Armenia

Continued from Page 1

rationing and left the local Communist Party out of control. Hitherto the Soviet authorities in Moscow have refused to contemplate the Armenians' demand - estimated in February brought an estimated 1m people on to the streets of Yerevan - for the enclave to be transferred.

On the other hand, passions in Armenia are clearly running so strongly that Mr Arutunyan felt unable to resist them on Monday. By promising a debate - and a positive vote in the Armenian parliament - this week, he has

bought time. But the vote will not in itself prove anything. The Supreme Soviet has no real authority - unlike the ruling party.

Few observers doubt that Mr Gorbatchev will be forced to make more concessions to the Armenian demands, which have been simmering ever since 1923, but he has to find some way to do so without providing encouragement to nationalist minority aspirations right through the country.

Advertisement for Hampshire property development. Includes text: 'HEAD FOR HAMPSHIRE - A STEP IN THE RIGHT DIRECTION'. Features a map of Hampshire with price tags for different locations: Southampton (£10/sq ft), Reading (£18/sq ft), Tower Hamlets (£37/sq ft), The City (£66/sq ft). Includes contact information for Hampshire Development Association.

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Wednesday June 15 1988

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New York banks meet to bridge merger differences

BY JAMES BUCHAN IN NEW YORK
EXECUTIVES of Bank of New York and Irving Bank will meet today in another attempt to bridge their differences but there are doubts on Wall Street that the meeting will lead to an agreement to merge.

Fluor posts turnaround in second quarter

By Our Financial Staff
FLUOR, the US construction group, has reported a sharp turnaround in its financial performance, with second-quarter net earnings of \$10.2m or 13 cents a share, compared with a loss of \$2.8m in the first quarter.

Philips buys out Du Pont stake in tape joint venture

BY LAURA RAUN IN AMSTERDAM
PHILIPS, the Dutch electronics group, is buying out Du Pont's 50 per cent interest in PD Magnetica, the two companies' financial-ly troubled joint venture in magnetic tape for audio and video electronic products.

Deutsche Esso falls to DM62m as prices drop

BY OUR FINANCIAL STAFF
DEUTSCHE ESSEO, part of the Exxon US oil group, said 1987 net profits dropped to DM62.5m (\$36.3m) from DM268.9m in 1986 due to price falls for natural gas and oil.

3M chairman says company in good shape for 1992 changes

BY ANDREW BAXTER IN LONDON
MINNESOTA MINING and Manufacturing (3M), the US-based multinational industrial and consumer products group which makes Scotch tape, is in "good shape" for the unified European market in 1992, Mr Allen Jacobson, chairman and chief executive, said in London yesterday.



Mr Allen Jacobson: Long way down rationalisation road

Allegheny plan

Mr David Murdock, the Los Angeles investor said yesterday he may submit to Allegheny International a plan to reorganise the consumer products group, which is operating under Chapter 11 of the US Bankruptcy Code.

VDO doubles profit to DM25m

BY ANDREW FISHER IN FRANKFURT
VDO Adolf Schindling, the West German maker of instrumentation and control systems for vehicles, aircraft and industry, nearly doubled group profits last year and saw a further 6 per cent rise in turnover in the first five months of 1988, Mr Ulrich Woehr, the chairman, said.

Crocodile bonanza

Gulf + Western, the US entertainment and publishing concern, said yesterday its film Crocodile Dundee II, starring Australian Paul Hogan, has grossed \$61.3m in the US and Canada in its first 19 days of release.

Nordisk Gentofte earnings rise in year

BY HILARY BARNES IN COPENHAGEN
NORDISK GENTOFTE, the insulin, blood products and growth hormone manufacturer, proposed an unchanged 10 per cent dividend after increasing net profits from DKr683m to DKr106m (\$16.6m) on turnover up from DKr921m to DKr1.03bn in the year ended March.

Harnischfeger sale

Harnischfeger Industries, the Milwaukee-based heavy equipment manufacturer, has filed with the Securities & Exchange Commission to sell 5.5m shares of common stock. The shares are worth around \$130m at the current market price.

All of these securities having been sold, this advertisement appears as a matter of record only.

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S. G. Warburg Securities



INTERNATIONAL COMPANIES AND FINANCE

Costs warning by German Ford despite record profit

BY DAVID GOODHART IN BONN

MR DANIEL GOEUDERT, chairman of Ford-Werke, the West German arm of Ford Motor of the US, yesterday added his voice to the growing volume of complaints from German industry about the country's rising cost base and labour inflexibility. ... Mr Goeudert also reported a buoyant start to 1988 with domestic sales and exports rising for all models by between 7 and 15 per cent.

DnC in the red at net level

By Our Financial Staff

DEN NORSKE Creditbank, the big Norwegian bank, expects to lose some Nkr1.1bn (€174m) on loans this year but still hopes to show a net profit by the year-end. ... DnC said that losses on loans and guarantees were expected to emerge at Nkr1.1bn for 1988 as a whole, compared with Nkr1.94bn in 1987.

CIR to gain \$1bn from Buitoni and Perugia merger

BY ALAN FRIEDMAN IN MILAN

CIR, the holding company controlled by Mr Carlo De Benedetti, is to receive L1,940m (€1.95bn) of cash as a result of its planned incorporation by merger of the still-quoted shells of Buitoni and Perugia, the pasta and chocolate concerns whose assets have been sold to Nestlé of Switzerland. ... The board of CIR, Perugia and Buitoni, yesterday approved the merger plan. CIR owns 66 per cent of Buitoni, which in turn owns 82 per cent of Perugia.

SMH sees further improvement

BY WILLIAM DULLFORCE IN BERNE

EARNINGS of SMH, Switzerland's biggest watchmaking group, during the first four months of 1988 rose substantially, Mr Nicolas Hayek, the chief executive, said yesterday. He was confident that his restructured concern would report another profit increase in 1988. ... As reported earlier, net earnings climbed 10 per cent to SF77m (€8.5m) for 1987, cash flow was up 8.7 per cent to SF150m.

SKANDINAVISKA Enskilda Banken and Svenska Handelsbanken, Sweden's leading and second largest banks, respectively, reported higher profits for the first four months of 1988, helped by increased volumes and higher interest income. ... Handelsbanken's group profits increased by 25 per cent to SKr1.21bn (€200m) from SKr966m a year ago, helped by a strong increase in lending and better interest margins for its Swedish kronor operations.

Swedish banks lift income

BY SARA WEBB IN STOCKHOLM

SKANDINAVISKA Enskilda Banken and Svenska Handelsbanken, Sweden's leading and second largest banks, respectively, reported higher profits for the first four months of 1988, helped by increased volumes and higher interest income. ... Handelsbanken's group profits increased by 25 per cent to SKr1.21bn (€200m) from SKr966m a year ago, helped by a strong increase in lending and better interest margins for its Swedish kronor operations.

INVESTMENT AB BEILER... This notice is important and requires your immediate attention if you are in any doubt about the offer contained in this notice...

NOTICE TO HOLDERS OF The Nikko Securities Co. (Asia) Limited 8 1/4% Dual Currency Yen/U.S. Dollar Guaranteed Bonds 1995

Up to U.S. \$100,000,000 THE SOCIETY FOR SAVINGS Collateralized Floating Rate Notes Due 1991

Neue Heimat to change status

By Our Financial Staff

NEUE HEIMAT, the heavily debt laden West German housing co-operative, plans to become an Aktiengesellschaft, or public limited company, switching from its present GmbH status. ... It is expected that Neue Heimat will be disbanded next year. Neue Heimat is owned by West German unions.

Schindler computer deal

BY JOHN WICKS IN ZURICH

SCHINDLER, the Swiss lift maker, is to acquire a majority shareholding in Also Holding, a supplier of personal computer systems which last year had sales of SF185m (€128.5m). ... Schindler last year achieved group sales of SF1.8bn.

Perstorp 36% ahead at eight months

PERSTORP, THE Swedish speciality chemicals and plastics group, increased profits (after financial items) by 36 per cent to SKr404m (€67m) in its first eight months to April 30, 1988, writes Sara Webb in Stockholm. ... The group expects full-year profits to rise to between SKr550m and SKr600m, representing an increase of 28-40 per cent on 1987's SKr490m.

INVESTCORP International Investment Banking. THECLA INDUSTRIES, THECLA DELLE THECLAANOULD AND S.R.D., SOCIÉTÉ FINANCIÈRE de PARTICIPATION INDUSTRIELLE, SOCIÉTÉ NOUVELLE CHAUMET S.A., BREGUET INTERNATIONAL S.A., TIFFANY & CO. GmbH, BREGUET INTERNATIONAL S.A.

CORPORATE INVESTMENT • REAL ESTATE INVESTMENT • PORTFOLIO MANAGEMENT • TRADING

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

George Graham on consequences of the French SE's FFr500m loss
Bourse tensions bubble to surface

THE RESIGNATIONS yesterday of the chairman of the French Stock Exchange, Mr Xavier Dupont, and his chief executive, Mr Philippe Cosserat, have completed the turmoil...



Xavier Dupont presided over far-reaching reform



Regis Rousselet appointed to replace Dupont

Mr Dupont, as syndic of the old Chambre Syndicale des Agents de Change and chairman of the new Societe des Bourses Francaises (SBF) which replaced it...

But his departure, and the call for FF1bn of new capital to top up the exchange's funds...

Several bankers in Paris yesterday suggested that the capital increase, underwritten essentially by the leading French banks...

Until now, the old broking firms have maintained a clear majority of the SBF's board...

But the more traditional levy proportional to trading volume could also run into opposition, especially from some of the foreign institutions which have bought stakes in French brokers...

The details of the levy on broking firms have yet to be decided, and are causing a fierce debate in Paris. Suggestions of a flat levy of about FFr20m per firm are being bitterly resisted...

But it does not seem to have put off those who have already set up shops. "We are very pleased with our acquisition, and have seen our market share shoot up," said Mr James Ferguson...

At a time when many firms are investing in computer equipment and new offices, the levy could weigh heavily on income...

The fallout from the affair may not spare the French Treasury, which has closely controlled the transformation of the stock exchange...

Some bankers are already demanding an explanation of why the Treasury, which is understood to have been informed about the stock exchange's FFr500m trading losses last year...

But it does not seem to have put off those who have already set up shops. "We are very pleased with our acquisition, and have seen our market share shoot up," said Mr James Ferguson...



Peter Engstroem disagreed over direction

Engstroem to head Gadd advice service

By Stephen Fidler, Euromarkets Correspondent
THE FORMER head of the international borrowing of the Swedish national debt office, Mr Peter Engstroem...

Mr Engstroem, 43, left UBS Securities last year, where he was managing director responsible for the primary market division of UBS Bank of Switzerland (Securities) Ltd.

Optimists given go-ahead by low US trade figures

BY DOMINIQUE JACKSON

YESTERDAY'S NEWS of an unexpectedly low seasonally adjusted US April trade deficit of \$9.89bn gave a long-awaited go-ahead to cautious optimists in the Eurobond market...

The key 30-year Treasury bond rose by well over a point in London trading, sending its yield below 9 per cent to close at 8.83 per cent in London.

Dealers said the data provided the much-needed news which the market had been waiting for to confirm the vastly improved tone which had been detected over the last few weeks.

INTERNATIONAL BONDS

However, the short maturity on the GMAC deal was expected to appeal to investors who are keen to keep to the defensive end of the yield curve. More US corporate borrowers seem set to take advantage of the improved market...

lian dollar sector prompted the first issue in that currency this week by Banque Internationale de Luxembourg...

In West Germany, the US trade figures boosted a firmer tone seen all day. Domestic bonds finished an average of 1/2 point better in brisk trading...

Consortium to place shares after Enichem merger

BY ALAN FRIEDMAN IN MILAN
A CONSORTIUM of Italian and foreign banks will be assembled to place between 15 and 20 per cent of the shares of the joint venture chemicals company...

Mr Luigi Arcuti, chairman of IMI, the medium-term credit institute, has announced that his bank, along with two others - Mediobanca and Crediop - plans to lead the consortium.

A letter of intent outlining the Enichem-Montedison merger plan was signed last month and a series of working groups are at present preparing a business plan. The deal is expected to be completed by the end of July.

The new venture, which will have about \$10bn a year of sales, will contain the whole of Enichem, which last year had \$6,200bn (\$4,850bn) of revenues, and a series of base chemicals, artificial fibres, fertilisers and elastomers assets from Montedison.

Building society financing to securitise loans

By Our Euromarkets Staff
THE FIRST financing to securitise mortgages for a UK building society was announced yesterday. The transaction will allow the Leamington Spa Building Society to move up to \$200m in mortgage loans off its balance sheet...

FT INTERNATIONAL BOND SERVICE

Table listing international bonds with columns for Issuer, Amount, Maturity, Offer, Day, Yield, and Closing prices as of June 14. Includes sections for US Dollars, Yen, and other currencies.

BFC Banque Francaise du Commerce Extérieur
€25,000,000
4 3/4 per cent. Notes due 1993
The Republic of France
Issue Price 101 3/4 per cent.
List of participating banks: Bank of Tokyo, BNP, Credit Suisse, Dresdner, LTCB, Mitsubishi, Morgan Stanley, Nomura, SBCI, Yasuda.

Building society financing to securitise loans

By Our Euromarkets Staff
THE FIRST financing to securitise mortgages for a UK building society was announced yesterday. The transaction will allow the Leamington Spa Building Society to move up to \$200m in mortgage loans off its balance sheet...

Austrian Airlines issue opens low

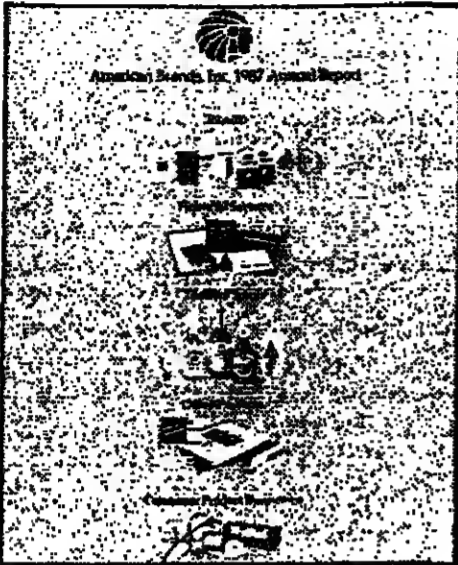
THE NEW shares issued by state-owned Austrian Airlines on the Vienna Stock Exchange opened at a lower-than-expected price, according to Austrian brokers...

FT INTERNATIONAL BOND SERVICE
Table listing international bonds with columns for Issuer, Amount, Maturity, Offer, Day, Yield, and Closing prices as of June 14. Includes sections for US Dollars, Yen, and other currencies.



# Annual Update 2

Part 1 was featured on June 14th.



**American Brands**  
American Brands is a worldwide holding company. 1987 sales from continuing operations were \$9.2 billion and net income was \$4.60 per common share, both records. In the U.S. American Tobacco's brands include Pall Mall, Carlton, Tareyton and Lucky Strike cigarettes. In the U.K. Gallaher sells Benson & Hedges, Silk Cut and Berkeley cigarettes. Other leading lines include Jim Beam bourbon, ACCO office products, Titeflex and FootJoy golf products and Master locks. Financial services consists of Franklin Life and Southland Life.



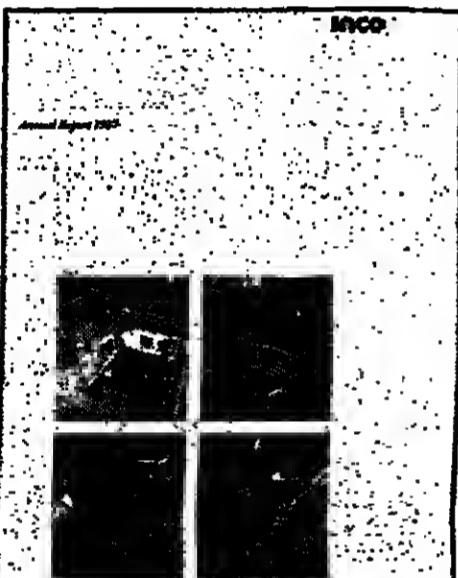
**Georgia-Pacific Corporation**  
Georgia-Pacific Corporation, one of the world's largest paper and building products companies, has just posted a record year. Georgia-Pacific generated nearly \$600 million in cash flow in 1987 and earnings per share grew to \$3.88 (excluding a \$3.35 unusual item), up from \$2.70 in 1986. Georgia-Pacific's 1987 progress was the result of better market conditions, improved product mix, increased cost competitiveness, and growth in key businesses.



**Giant Yellowknife Mines Limited**  
Giant Yellowknife Mines Limited is a significant producer of gold in Canada. It was incorporated on August 4 1987 and today its operations include mines in Timmins, Ontario and Yellowknife, Northwest Territories. The Corporation also conducts exploration in Ontario, Saskatchewan, the Northwest Territories and the western United States.



**Hemlo Gold Mines Inc.**  
Hemlo Gold Mines Inc. is one of North America's largest and lowest cost gold producers. In 1987, it's first full year of operation, the Company produced 369,000 ounces of gold at an average cost of CAS 126 an ounce. Net profits after tax were CAS 53 million. It's first dividend was declared in October 1987. Hemlo has a commitment to growth. It has already budgeted CAS 7.5 million for 1988 gross roots exploration and has entered into equity financing arrangements with Viceroy Resources (California heap leach property) and Windarra Minerals (properties in northwestern Ontario south of Hemlo's Gold Giant mine).



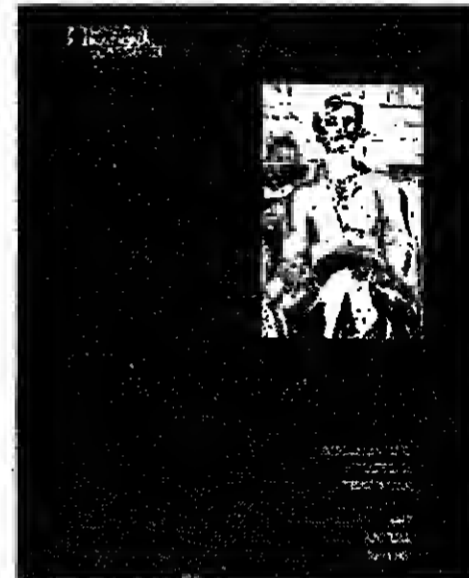
**Inco Limited**  
Inco Limited had 1987 sales of US\$ 1,789.5 million. Inco is the non-communist world's leading producer of nickel and a substantial producer of copper, precious metals and cobalt. Inco is also the world's largest supplier of wrought and mechanically alloyed nickel alloys as well as a leading manufacturer of blades, discs, rings and other forged and precision-machined components made from special alloy materials. Inco employs 18,700 in 18 countries.



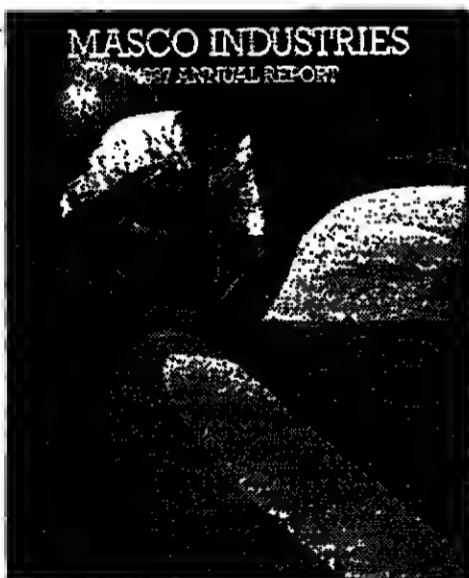
**Intermark**  
Intermark (ASE:IMI) is a billion-dollar operating/holding company which owns and adds value to well-established, mid-sized American growth companies. Intermark currently owns controlling interests in nine such "Partner Companies" which operate in broadly diverse industries. Intermark's goal is to increase the intrinsic value (orderly break-up value under favorable market conditions on a tax-sheltered basis) of its stock by at least 20% per year. Over the past 13 years Intermark's stock has appreciated at an annual compound rate of 40.3% versus 10.5% for the Standard & Poor's 500.



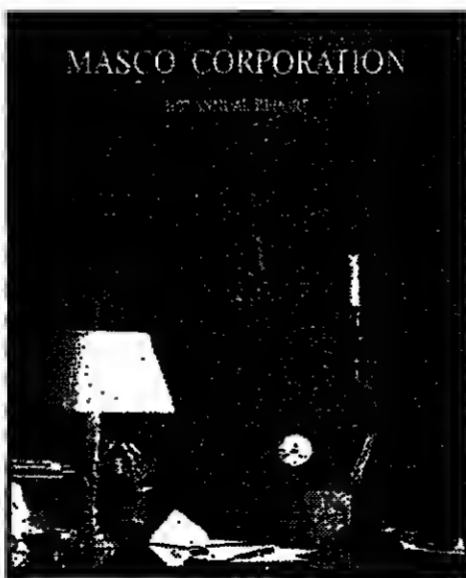
**Jannock Limited**  
Jannock Limited had an excellent year in 1987. Consolidated net earnings for 1987 reached a record of \$88 million or \$2.46 per share which compares with \$46 million or \$1.77 per share during 1986. Jannock is a diversified corporation with operations in a number of basic, high technology and service industries. It is North America's largest producer of clay brick and is a partner in two steel fabricating groups, one of which is Canada's leading consumer of raw steel. Jannock holds a 50% interest in Lantic Sugar, which sells more than half the refined sugar consumed in Canada.



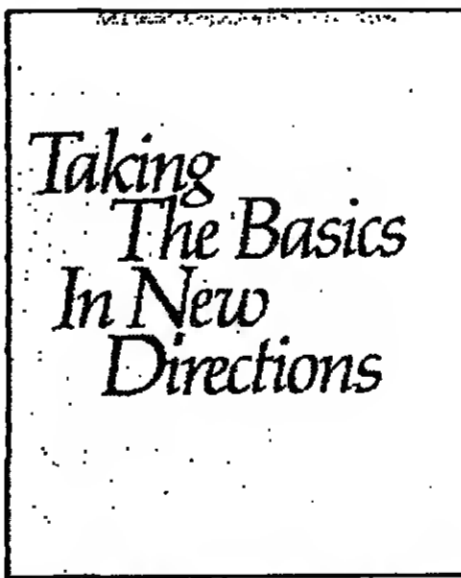
**Lincoln National**  
Lincoln National Corporation (NYSE: LNC), is the nation's sixth largest insurance holding company. The company's assets exceed \$18 billion with annual revenues of \$7 billion. Life insurance in force totals \$150 billion. It markets individual group/life and health insurance, reinsurance, corporate pensions, annuities, property-casualty insurance and investment management services. Lincoln National enjoys the nation's highest market valuation among its peer companies on an earnings basis (as of 3/10/88).



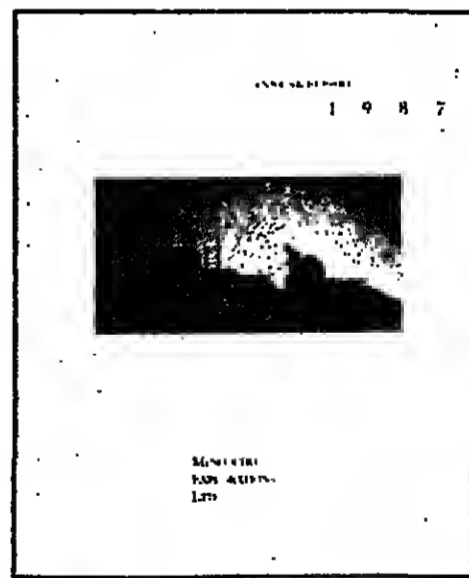
**Masco Industries**  
"A Unique Industrial Growth Company"  
Masco Industries is a technology-based company whose corporate objective is to achieve above-average growth by utilizing our design, engineering and manufacturing skills to develop innovative processes and products for an expanding number of markets. Our objective is to increase earnings per common share, on average, at least 20-25 percent annually and thus to establish Masco Industries as a unique industrial growth company.



**Masco Corporation**  
"A Unique Consumer Products Growth Company"  
Masco Corporation has reported 31 consecutive years of earnings increases. Sales and earnings have increased at average annual compound rates of approximately 20 percent. Send for our 1987 Annual Report to learn why we believe, Masco's earnings will continue to grow at an average annual rate of 15 to 20 percent annually over the next five years with our sales in 1992 approaching or exceeding \$3 billion.



**McDonald's Corporation**  
The McDonald's System is the largest foodservice organization in the world. The Company, its franchisees and affiliates operate 10,000 McDonald's restaurants, each offering a limited menu of high-quality food, which can be part of a well-balanced diet. These restaurants are located in 47 countries around the world. The System has pioneered food quality specifications, equipment technology, marketing and training programs, and operational systems that are the standards of the industry throughout the world. McDonald's motto of Q.S.C. & V. translates into Quality food products; fast, friendly Service; restaurants known for Cleanliness; and a menu that provides Value. Q.S.C. & V. McDonald's promise to customers every day around the world.



**Muscocho**  
Muscocho Explorations Ltd., a gold mining and exploration company operates in Ontario and Quebec. In 1987, the Company had an exceptional year, with an equity issue of \$18 million and positive production decisions. By early 1988, it expects to be producing gold at an annual rate of 100,000 ozs., versus the current production of approximately 20,000 ozs. As Muscocho matures it looks forward to further growth and progress from its developing gold properties.

Part 1 was featured on June 14th.

Please send me the following Annual Reports:

- 13 American Brands, Inc.
- 14 Georgia-Pacific Corporation
- 15 Giant Yellowknife Mines Limited
- 16 Hemlo Gold
- 17 Inco Limited
- 18 Intermark
- 19 Jannock Limited
- 20 Lincoln National
- 21 Masco Industries
- 22 Masco Corporation
- 23 McDonald's Corporation
- 24 Muscocho

"I also want these Annual Reports which featured June 14th and will feature on June 16th."

- 01 American Brands, Inc.
- 02 Ametek
- 03 American Express
- 04 American General
- 05 Ameritech
- 06 Bank of Montreal
- 07 Bell Atlantic
- 08 BCE Inc.
- 09 CSX Corporation
- 10 Chicago Pacific Corporation
- 11 Federal Mogul
- 12 Onex Corporation
- 25 Nova Corporation of Alberta
- 26 NYNEX
- 27 PacifiCorp
- 28 Placer Dome Inc.
- 29 Reebok International Ltd.
- 30 Repap Enterprises Corporation Inc.
- 31 Teva Pharmaceutical Industries, Ltd.

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Position \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
Country \_\_\_\_\_

Please return coupon by August 19th, 1988.

To: David Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY, U.K. Or: Brian Richardson, Financial Times, 14 East 60th Street, New York, NY 10022, U.S.A.



UK COMPANY NEWS

BID DEFENCES STRENGTHENED BY £35M ELECTRONICS SALE

Low & Bonar on acquisition trail

BY CLARE PEARSON

Low & Bonar, the Scottish packaging and plastics company, has strengthened its bid defences by raising about £35m through the sale of virtually all of its electronics interests.

This gives us a strong balance sheet and enables us to go on the acquisitions trail. Mr Roland Jarvis, chief executive, said yesterday.

Mr Jarvis originally said the electronics businesses were up for sale when the company announced disappointing results for the year to November 1987.

But so far, no increase in the Tomkins stake, nor any other "interesting" holdings, had been uncovered by use of Companies Act provisions to demand disclosure of beneficial ownership.

Letters of intent have been signed for the sale of seven of the electronics businesses. Disposal of the remaining two, should raise about £1m.

Diversification helps lift Yellowhammer 35% to £2.25m

BY RAY BASHFORD

Yellowhammer, advertising and marketing services group, lifted pre-tax profit 35 per cent to £2.25m during the year to March 31 following a 19 per cent rise in turnover to £25.8m.

Diversification from core activities has aided the result with Generator, a new marketing services group, and Boswell Services, an advertising services company, contributing 25 per cent of the pre-tax profits.

Earnings per share rose 41 per cent to 13.7p and the directors have recommended a higher final dividend of 1.75p which with the improved interim boosts the total to 2.5p (2.1p).

Devenish falls short of City expectations

BY LISA WOOD

J A Devenish, the West country brewer, yesterday announced a profit of £2.58m for the half year to March 31 compared with £2.65m for the same period last year.

The result was below City expectations and the share price fell by 2 1/2p to 33 1/2p share.

Earnings per share rose to 5.36p, from 4.99p with the board recommending an unchanged interim dividend of 0.75p per share.

Devenish, which merged with Inn Leisure two years ago has been re-organising its tied houses, with more made into managed houses, as well as rationalising its brewing activities and launching new niche products under the Newquam and Profitikitt brand names.

Investment in the Redruth brewery and its brands took the accounts as well as getting attention from both Continental and Australian brewers.

Falcon revises listing plans after reconstruction

BY PHILIP COGGAN

Falcon Resources, oil and gas company, has abandoned its earlier plans to rejoin the stock market after a capital reconstruction.

The shares were suspended in October 1985, pending news of an acquisition since then new management has taken over from the old chairman, Mr Ronnie Monk.

The new management, led by Mr Jonathan Rosen and Mr Oliver Jessel, said that the company will now be divided into two. The US oil and gas interests will be formed into a new company; an approach has been received from a listed US company which may lead to an offer for that part of the group.

Bergesen seeks SE listing

Bergesen, Norwegian built shipbuilding group, has applied to the Stock Exchange to have its shares admitted to the Official List by way of an introduction sponsored by County NatWest.

At June 10 market capitalisation of the group was Nkr4.04bn (£254m).

Recovery sees Oceana in profit

Mainly stemming from a high level of interest from fixed income investors, Oceana Development Investment Trust has returned to profit in the year ended March 31 1988.

Clayform attacks Stead and Simpson performance

Clayform Properties yesterday launched a stinging attack on the board and management of Stead and Simpson, charging that its operation would be barely profitable if it paid a realistic rental on its properties.

Aviva losses cut sharply

Aviva Petroleum, a US oil company listed in London and formerly called Jackson Exploration, yesterday announced a substantial cut in net losses in 1987 from \$5.5m (£3.05m) to \$1.4m.

Newarthill has over 6% of W. Lawrence

BY ANDREW HILL

Newarthill, the civil engineer and building contractor which trades as Sir Robert McAlpine, has built up a 6.04 per cent stake in Walter Lawrence, housebuilder and contractor.

Newarthill said it regarded the stake as a trade investment, one of several holdings in building companies acquired recently. The stake might be increased if the price was judged appropriate.

Recovery sees Oceana in profit

Mainly stemming from a high level of interest from fixed income investors, Oceana Development Investment Trust has returned to profit in the year ended March 31 1988.

Bryson Oil improves

Bryson Oil & Gas lifted its profit from \$95,226 to \$111,694 in 1987. But the inclusion of \$510,534 exceptional credits gives a pre-tax surplus of \$722,528, against a loss of \$572,065 previously when there was an exceptional debit of \$27,411.

Brent Chemicals expands

International of Canada. Both companies sell primary chemical products and their acquisition strengthens Brent's position on the east coast of the US and will give it a predominant position in the Canadian market.

Even better - by working together!

For two of the country's leading names in vehicle contract hire to be in the same advertisement must be a "first".

Invergordon - no talks with broker

Invergordon Distillers, the Scotch whisky distiller and blender, said it had had no discussions with Greig Middleton, the London stockbroker, regarding a possible takeover offer.

Lopex purchase

Lopex, advertising and communications group, has acquired 40 per cent of Advertising People, an advertising agency based in Finland for £200,000 in cash. The purpose of the move is to strengthen Lopex's Alliance International Network.

Mowlem £4.5m sale

John Mowlem & Company has sold Welham Plant and Eynesbury Engineering to Hewden Stuart for £4.5m. The deal does not include the Welham Thames-side depot at Purfleet, which is to be retained by Mowlem for residential development.

COMPANY NEWS IN BRIEF

AMALGAMATED FINANCIAL Investment - Assentment, a joint venture company in which the group has 30 per cent interest, has agreed to acquire Kings Cross House, a freehold property at 200, Finsbury Road, London, for £33.4m. Purchase to be financed via £25m loan facility from Citibank.

ASH & LACY has acquired R H & B

Doncaster, Lincolnshire-based distributor of welded mesh, for \$220,000 and further performance related payments of \$200,000. AVIS EUROPE is to pay \$425,567 in shares and cash for the outstanding share capital of Cellrent.

JAMES BEATTIE: Annual meeting held that the start to the year had been good with both sales and trading profit showing strong growth in the first quarter.

BRIDLEY INVESTMENTS has received acceptances from 4,098 shareholders holding 7.2m ordinary shares of Acacia Corporation, amounting to 91.7 per cent of the shares not previously held by the company. The offer closes on June 15 after which Bridley will invoke the compulsory acquisition procedure.

FREDERICK COOPER said that by 3 pm on June 9, acceptances had been received in respect of 6.65m shares, representing 95.86 per cent of the equity.

PRUDENTIAL PROPERTY Services has acquired Edward Barclay for an undisclosed consideration, satisfied partly in Prudential Corporation shares, and brings the number of estate agency outlets it operates to 750. CHRISTIAN SALVESEN has paid \$225,000 cash for Pontypool-based Alite-Xpress, a vehicle component distribution group.

SHANES & McSWAN (Contractors) is acquiring the waste handling businesses of John Lawrie & Co (Aberdeen) and Compac-twright. The initial consideration is £2.2m in cash, with deferred payments, subject to profits, up to a maximum of £100,000 in each of the next two years.

TRILION has received acceptances in respect of 21.14m ordinary shares, about 72.6 per cent of the 29.12m shares offered in its rights issue.

TRIMCOO: Bishoptone Investments has acquired a further 750,000 ordinary and together with Norcombe, beneficially owned by Bishoptone, now holds a total of 6.2m ordinary (7.93 per cent).

WATES CITY of London Properties has bought in 360,000 of its ordinary shares at 182.5p and 250,000 at 182p.

WSP HOLDINGS has agreed to buy Cairns and Byes, a mechanical and electrical engineering consultancy services business, for an initial consideration of \$338,000 satisfied by the issue of 468,000 ordinary shares. Further deferred payment is related to profits, but the total consideration will not exceed \$238,000. After deducting notional directors' remuneration, Cairns had a pre-tax profit of £108,000 in the year to April 30 1988.

SAGA HOLIDAYS has sold its former headquarters, Eshbrook House, in Kent, and 182 acres of land to Wimpey Homes Holdings for £6.06m cash. Saga has retained 9.2 acres together with a number of properties.

Interleasing Cowieleasing

Interleasing (UK) Ltd, 187 Broad Street, Birmingham, B15 1ED. Tel: 021 422 4222. Cowieleasing, Mill Road, Dunton Green, Sevenoaks, Kent, TN13 2UZ. Tel: 0732 749140.



Interleasing (UK) Ltd, 187 Broad Street, Birmingham, B15 1ED. Tel: 021 422 4222. Cowieleasing, Mill Road, Dunton Green, Sevenoaks, Kent, TN13 2UZ. Tel: 0732 749140.



JOBS

Why best days may be over for proudest perk

BY MICHAEL DIXON

"I WISH you wouldn't raise that subject," a personnel chief told the Jobs column the other day. "It's one that executives get most emotional about."

The subject he was referring to is company cars - which, not having one, I found hard to credit could stir anyone's feelings. But when I checked with a further dozen assorted managers, they all backed the personnel chief's claim.

"Oh yes," agreed a senior banker, whose reply was fairly typical. "There's no hotter topic in the executive luncheonroom. Moreover a headhunter said he knew of several candidates who, when offered a job of higher rank and salary, had rejected it solely because the four-wheeled perk provided was a bit less imposing than the one they already had."

Given the self-esteem evidently invested in cars by those on the higher perches of pecking orders, it seems likely that numerous features will be ruffled by the results of some recent research. It was done by the Runzheimer International consultancy in the United States, the starting point of so many trends in executive employment which have later spread to Europe and elsewhere.

step was being taken by only between 8 and 14 per cent of the smaller concerns, there was a general trend to supply staff with lower-price vehicles.

"We think it's a move that will go on," said Runzheimer's Peter Packer from the consultancy's US head office (Rochester, Wisconsin 53167; telephone (414 534 3121). "There seem to be three major reasons for it."

"One is changes in taxation - not so much in actual rates as in the tax authorities' attitude. They've split out that they're going to look much more closely at whether executives who're given cars really need them for their work, and make companies keep logs accounting for mileage and so on.

"There's also been a rise in the insurance costs involved. But that is probably less telling than the third reason, which is the drive by businesses over here to cut operational costs to increase profits," Mr Packer added.

AVERAGE COST OF MANAGERS' CARS TO COMPANIES. Table with columns: Country, Chief executives, Other directors, Middle management, Sales & mktg, Others. Rows include Finland, UK, West Germany, Switzerland, Netherlands, France, Belgium, Sweden, Denmark, Spain, Italy, Portugal.

As can be seen, the United Kingdom which apparently took the lead in making the four-wheeled perk an object of jealous executive reverence - comes second to Finland in the financial-outlay league. But, since money costs are not constant from land to land, they say little about the importance of the spending on cars in relation to the other rewards of managers of the different nationalities. So to give some idea of that relative importance I have calculated each country's average outlay on chief executives' cars as a percentage of the chief's average total cash pay including bonuses as well as salaries.

considerably altered, as follows: 1 Portugal 24%, 2 Finland 17%, 3 United Kingdom 15%, 4 Sweden 13%, 5 Netherlands 12%, 6 Spain 12%, 7 Belgium 11%, 8 Denmark 11%, 9 France 10%, 10 West Germany 9%, 11 Italy 8%, 12 Switzerland 7%

MD-designate

HEADHUNTER Alan Abern is looking for the next managing director of a British scientific equipment group's subsidiary producing advanced hardware and software for broadcasting and otherwise distributing information. As he may not name his client he promises to abide by applicants' requests not to be identified to the employer at this stage of the proceedings.

about six months. After doing so, the new MD will remain much concerned with commercial affairs including sales, which are handled through agencies and other third parties, over 70 per cent being exports. There will be a good deal of overseas travel. Candidates must be technically equipped to understand the 34-employee company's markets. A formal qualification, preferably in engineering, would help. But even more important are proven leadership skill and commercial acumen including the ability to negotiate at all levels.

Mr Abern says the group would especially like to hear from people running their own smaller company in a similar field, who might be interested in managing the subsidiary in tandem with their own business with a view to an eventual merger.

Salary indicator £30,000, plus bonus on results and possibility of stock options. Car among other benefits. Inquiries to Abern Associates, 60-61 Quarry St, Guildford, Surrey GU1 3UA; tel 043 503666, telex 853500 Sharex G.

Missing

FINALLY, the Jobs Column is sorry for not being here last week, and apologises particularly to the two dozen readers who called asking where it was. The answer is in bed with a virus.

Cable Dealers

We are currently assisting a number of international banks in the recruitment of spot and forward cable traders. Applicants are likely to be in their mid to late twenties with at least one year's dealing experience in an active Treasury.

For the right candidates, remuneration will not be a limiting factor. Those interested should contact Nick Root or Nick Bennett on 01-404 5751 or write to them in strictest confidence at The Treasury & Investment Division, Michael Page City, 39-41 Parker Street, London WC2B 5LH.

Michael Page City International Recruitment Consultants London Paris Amsterdam Brussels Sydney

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TIPS HEAD OF SALES £90,000 + USUAL PAAGE. EQUITY SALES/RESEARCH £20,000 TO £75,000. SWAPS UP TO £45,000 + USUAL PACKAGE. FX DEALER £28,000 TO £35,000. COMPLIANCE £25,000 + CAR & BANK BENES. TREVOR JAMES CITY 62-64 Moorgate London EC2R 6EL Tel: 01-920 9512

CHIEF PRESS OFFICER c.£35,000 + car. Good communications are vital to the success of The International Stock Exchange. Jennifer Gregson, The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, Old Broad Street, London EC2N 1HP.

Vice President Asset Based Finance To £35,000 + bonus + car + benefits. the fleet partnership Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 01-831 1101 (24 hours)

Investment Banker Brussels BF Highly Attractive. Our client is a well established member of the Brussels Bourse. They now seek to appoint a young, ambitious Investment Banker to play a leading role in the expansion and development of their fast growing financial services activities. Michael Page International Specialists in Finance Recruitment London Amsterdam Brussels New York Paris Sydney

Secure Dominance Japanese Equity Sales One of the 'big four' Japanese securities houses provides a comprehensive range of investment services worldwide. Cripps, Sears

CORPORATE FINANCE "BOUQUET" SEEKS ENTREPRENEURIAL PROFESSIONALS. Chairman of small independent and specialist corporate finance house operating in the City of London would like to hear from a small group of experienced corporate finance professionals.

PROJECT FINANCE MARKETING A major international bank conducting significant volumes of business from the London office, plans further growth and accordingly seeks to strengthen the Project Finance team.

CREDIT/MARKETING We are currently handling an assignment to introduce candidates to a small, established and well respected European Bank. Gordon Brown 57/59 LONDON WALL LONDON EC2M 5TP TEL: 01-628 7801

**CJA**

RECRUITMENT CONSULTANTS GROUP  
3 London Wall Buildings, London Wall, London EC2M 5PJ  
Tel: 01-588 3588 or 01-588 3576  
Telex No. 887374 Fax No. 01-256 8501

Challenging and secure position for seasoned high commission earner.

**CJA****DIRECTOR - U.K. EQUITIES SALES**

CITY

MAJOR JAPANESE SECURITIES HOUSE

£70,000-£100,000

For this new position, which is the result of the continued expansion of our client's U.K. equity sales business, we invite applications from senior salesmen, aged 30-40. The successful candidate, who will join at Director or Associate Director level, depending on experience, is likely to have already reached director level and will bring a strong personal institutional client list to service. Remuneration is open to negotiation depending on commission income record and is likely to be in the region of £70,000 to £100,000 including commission share, plus car and full benefits package. The company's considerable commitment to the U.K. equity market offers the successful candidate an outstanding career opportunity. Applications in strict confidence in writing or by telephone on 01-638 0680 (day) or 01-628 2891 (evening) under reference UKES4607FT.

Excellent opportunities also exist for young U.K. equities salesmen - £40,000-£60,000

A demanding position - scope to become a Director in 6-12 months and head the whole European Research operation in 3-5 years.

**CJA****HEAD OF RESEARCH OPERATIONS - INSURANCE**

HERTFORDSHIRE

LEADING MULTI-NATIONAL RESEARCH ORGANISATION

£28,000-£40,000

For this new appointment we invite candidates aged 28-42, university graduates who will have acquired a minimum of 3 years' practical experience in modern methods of advanced research and statistics gained either in a university/business school or insurance industry environment. The successful candidate will be responsible for planning, directing and controlling the initiation and implementation of research projects in key functional areas relating to the insurance industry, and for building an effective team. The ability to analyse data and project clearly in a meaningful manner both orally and in writing is important for the success of this appointment. Initial salary negotiable £28,000-£40,000 + car, contributory pension, free life assurance, free medical insurance and assistance with removal expenses if necessary. Applications in strict confidence under reference HROJ4608/FT to the Managing Director.

N.B. a further vacancy exists for a research consultant in the above organisation - graduate £14,000-£18,000.

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT: PLEASE TELEPHONE 01-628 7538

## FX Marketing to Japanese Institutions

The investment banking arm of a major international banking group is looking to strengthen its presence in the Japanese corporate market.

They seek an experienced marketer to be at the forefront of their development in the provision of global foreign exchange services to a broad spectrum of Japanese institutional clients.

Based in London, this key role requires a Japanese national or exceptional fluency in Japanese to maintain existing contacts and to generate new

business worldwide.

Candidates, probably in their late 20s to early 30s, will be graduates with a minimum of three years' relevant experience ideally gained in a Japanese context.

This position offers a unique opportunity for an individual to participate in a dynamic programme of global expansion, and rewards will reflect this accordingly.

Those interested please contact Nick Bennett on 01-404 5751 or write to Michael Page City, 39-41 Parker Street, London WC2B 5LH.



Michael Page City

International Recruitment Consultants  
London Paris Amsterdam Brussels Sydney

## FINANCIAL ANALYST

PROPERTY AND LEISURE GROUP

Up to £32,000

Our clients are a well established and progressive Swiss company operating internationally in the property and leisure industries. The Group Chairman seeks an assistant who will participate in the commercial affairs of the Group and take an active part in the financial aspects of the Group's business. This key role requires a value-smart analytical brain to identify and evaluate potential profitability and financial implications of proposed projects. The candidate will have had experience of preparing financial forecasts; performing

calculations of financial returns and be familiar with PC tools. MBA, or equivalent in a finance related subject, coupled with fluent English and German language abilities are prerequisite. Career opportunities in this fast growing company exist for a highly motivated individual with first class interpersonal and presentation skills and an outstanding flair for business and finance management. Location: London base with some travel. Please write in confidence, enclosing full career details and quoting reference E3883/2 to Rosalba De Lisi.

**KPMG**

Peat Marwick McLintock

Executive Selection and Search  
9 Creed Lane, London EC4V 5BR

**TREASURY ASSISTANT**

Applications are invited for this interesting position from persons aged 22 years and above who will be educated to 'A' level standard. Previous experience in banking, broking or from a commercial treasury operation would be an advantage.

A salary commensurate with qualifications and experience will be offered, together with attractive benefits, to include a subsidised mortgage facility.

Please apply, in writing, giving full details of age, experience and present salary to:-

Mr P. R. Tandy, Personnel Manager, Leamington Spa Building Society, Leamington House, Milverton Hill, Leamington Spa, Warwickshire CV32 5FE

or telephone

Mr K. E. Clark, Assistant General Manager (Treasury)  
on (0926) 450045, Ext. 288

*Olliff & Partners P.L.C.*

Specialists in Investment Trusts and Asset Based Companies, are considering expanding their presence in research, corporate finance, and institutional sales.

In addition the company is enlarging its Investment Trust Service to private clients.

The Company is predominantly owned by its employees.

If you are experienced and would consider joining an entrepreneurial, enthusiastic and highly qualified team then please apply to:-

Bill Cole, Olliff & Partners P.L.C.  
32 Threadneedle Street, LONDON EC2R 8BA

## MULTI-CURRENCY PORTFOLIO MANAGEMENT to £80,000

The current level of recruitment activity in this area is such that experienced Bond Fund Managers, who have hitherto hesitated to test the waters, could be tempted with the quality and range of career opportunities currently being handled by the investment team at Jonathan Wren... We are currently advising a number of investing institutions in the recruitment of multi-currency specialists from Assistant Fund Manager to Board Level appointments. Our clientele is equally diverse and includes both international and domestic investment banking institutions. To ascertain the yield potential of a career move now... Please contact Barbara Debak or Roger Stearns.

## SPECIALIST EQUITY ANALYSTS to £50,000

A specialist Motore Analyst is being sought by one of the premier European investment banks. Geographic coverage will be for both the UK and European sectors and, for the level of appointment envisaged, direct and substantial experience in motore will need to be established to secure a meeting with our client. For another house, this time a highly regarded specialist broker, we are assisting in the selection of a French Equities Analyst with at least two years' experience in this role, together with fluent French and, ideally, commercial work experience gained in France. Please contact Ann Winder.

## UK CORPORATE BANKERS - MARKETING £25,000 to £45,000

A number of our international banking clients have taken a strategic decision to increase their UK corporate business. On their behalf, we are very interested to meet with individuals who can combine an extensive background in credit analysis together with demonstrable business development skills. In addition, impressive UK client relationships, extensive product knowledge and team management abilities are primary pre-requisites. In addition, a prime international investment bank has a specialist requirement for a Marketing Officer with specific experience of the Chemical and Construction sectors. Please contact Norma Given or Jane Almond.

## FOREIGN EXCHANGE AND CREDIT RISK to £40,000

A Head of Department is required for risk assessment of Inter-Bank, Foreign Exchange and Credit lines. It is expected that the appointed applicant will have direct relevant experience at managerial level and will already be earning a salary in excess of £30,000. Please contact Caroline Sheridan.

## DEPUTY BRANCH MANAGER (DESIGNATE)

Manchester

c£30,000 + car + benefits

We have been retained by a major international bank to assist with the recruitment of a talented and energetic international banker to assume the role, following an extensive familiarisation programme, of Deputy Manager of its prestigious Manchester office. The appointee will have overall control for a number of staff covering documentary credits, foreign exchange, customer services, accounts, communications and computing. He/she will be expected to liaise with corporate customers to ensure that a high level of service is maintained. The successful applicant is likely to be a qualified ACIB and must have a sound operations and credit background together with experience of managing over 30 staff. Please contact Trevor Williams.

24 hour answerphone

LONDON

HONG KONG

SINGAPORE

SYDNEY

# Jonathan Wren

Recruitment Consultants

No.1 New Street, (off Bishopsgate), London EC2M 4TP.  
Telephone: 01-623 1266. Fax: 01-626 5258.

## Ambitious bankers with marketing experience New Business Executive to specialise in the Securities Industry

The Client: a famous banking institution, with a worldwide network and strong business relationships in a wide range of commercial and investment banking markets.

The Challenge: to work exclusively on new business opportunities, based on international custodial services with all types of investment institutions. At a senior level in a small team to be responsible for originating and closing business likely to generate income in excess of seven figures. The bank is a market leader in this sector.

The Candidate: a commercially aware banker, keen to put marketing skills to the test in one of the few truly profitable and fast growing areas in banking. A knowledge of financial institutions would be preferable. Drive and determination are essential.

This is a key role with a large degree of autonomy and will demand exceptional business skills - the rewards will include a highly competitive salary and generous banking benefits.

If you believe you can fulfill this role then please contact Kevin Byrne on 01-248 3653 (076 382 728 evenings/weekends) or write with a detailed C.V. to the address below. All applications will be treated in the strictest confidence.

# BBM

76, Watling Street, London EC4M 9BJ

Tel: 01-248 3653/01-489 8070

ASSOCIATES

CONSULTANTS IN RECRUITMENT

## Consultants & Senior Consultants Banking & Financial Services

£25-37,000 + Car + Benefits Central London

Our client, a leading management consultancy, has a world-wide practice and unparalleled tradition of service to banking and financial institutions.

Continued growth and expansion have created the need to recruit experienced individuals to assume consultancy roles in its successful Banking and Financial Services Group.

For the role of Consultant we require someone with expertise in at least one of the following areas:

- Capital Markets • Treasury • Operations and Accounting
- Information Technology Applications • MIS • Risk Management

For the role of Senior Consultant we would also expect a high standard of experience in all basic consulting skills, including the ability to manage a project successfully.

For both areas we would expect you to be energetic and outgoing and to demonstrate strong inter-personal skills, drive, ambition and diplomacy.

The company regards these appointments as critical to the future of this major division. Their importance is reflected in the excellent remuneration package which includes a car.

If you believe you have the background to take on one of these challenging positions, and you are looking for a role where you can influence future developments, contact Kay McGregor on 01-497 2622 (office hours) or 01-582 9845 (evenings and weekends) quoting ref NK04. Alternatively send your CV to her at: McGregor Boyall Associates - Executive Selection, 11-15 Benterton Street, London WC2H 9BP.

mcgregor  
boyall







CURRENCIES, MONEY AND CAPITAL MARKETS

EUROPEAN OPTIONS EXCHANGE

Table with columns for Currencies, Call, Put, and various market data for European options exchange.

TOTAL VOLUME IN CONTRACTS: 46,963

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Table listing base lending rates for various banks and currencies, including ASB Bank, Citicorp, and others.

FOREIGN EXCHANGES

Trade figures boost dollar

THE DOLLAR rose to its best level since October last year, following a sharp contraction in the April US trade deficit. The adjusted shortfall narrowed to \$9.9bn from a revised \$11.7bn deficit in March.

half promise on the trade figures and finished close to the day's high at DM1.7465, up from DM1.7250 on Monday. Against the yen it rose to Y126.40 from Y125.15.

IN NEW YORK

Table showing financial data for New York, including S&P 500, Dow Jones, and other indices.

STERLING INDEX

Table showing the Sterling Index and its components, including US, UK, and other currencies.

CURRENCY RATES

Table showing currency rates for various countries, including Australia, Canada, and others.

CURRENCY MOVEMENTS

Table showing currency movements and exchange rates for various currencies.

OTHER CURRENCIES

Table showing exchange rates for other currencies, including Hong Kong, Singapore, and others.

MONEY MARKET

London rates higher. MONEY RATES were higher in London yesterday as the pound reacted heavily to better than expected US trade figures.

FINANCIAL FUTURES

US bonds sharply firmer

US INTEREST rate and bond futures moved up sharply in Liff trading yesterday, after better than expected US trade data. Bond prices for September delivery were over a full point higher, as the dollar moved to an eight-month high.

EUROPEAN CURRENCY UNIT RATES

Table showing European Currency Unit rates for various countries, including France, Germany, and others.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound for various currencies.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar for various currencies.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies and maturities.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies, including DM, SF, and others.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies and maturities.

NEW YORK MONEY RATES

Table showing New York money rates for various currencies and maturities.

The argument ran that a fall in US imports could herald a slow down in consumer demand, and thus reduce pressure on the Federal Reserve to tighten credit. Aggressive short covering pushed the September price up to a high of 89.12, having opened at 87.22.

LONDON (LIFFE)

Table showing London (Liffe) market data, including futures and options for various currencies.

CHICAGO

Table showing Chicago market data, including futures and options for various currencies.

U.S. TREASURY BILLS (IMM)

Table showing U.S. Treasury Bills (IMM) market data, including futures and options.

U.S. TREASURY BONDS (9-1)

Table showing U.S. Treasury Bonds (9-1) market data, including futures and options.

U.S. TREASURY BONDS (2-29)

Table showing U.S. Treasury Bonds (2-29) market data, including futures and options.

U.S. TREASURY BONDS (5-30)

Table showing U.S. Treasury Bonds (5-30) market data, including futures and options.

U.S. TREASURY BONDS (10-1)

Table showing U.S. Treasury Bonds (10-1) market data, including futures and options.

closed at 89.06, up from 87.36 on Monday. Three-month Euro-dollar deposits moved up as cash rates eased gently on the dollar's strength. The September price rose to 92.30 from 92.05 at the start and 92.06 previously.

U.S. TREASURY BOND FUTURES (IMM)

Table showing U.S. Treasury Bond Futures (IMM) market data, including futures and options.

U.S. TREASURY BOND FUTURES (9-1)

Table showing U.S. Treasury Bond Futures (9-1) market data, including futures and options.

U.S. TREASURY BOND FUTURES (2-29)

Table showing U.S. Treasury Bond Futures (2-29) market data, including futures and options.

U.S. TREASURY BOND FUTURES (5-30)

Table showing U.S. Treasury Bond Futures (5-30) market data, including futures and options.

U.S. TREASURY BOND FUTURES (10-1)

Table showing U.S. Treasury Bond Futures (10-1) market data, including futures and options.

U.S. TREASURY BOND FUTURES (12-31)

Table showing U.S. Treasury Bond Futures (12-31) market data, including futures and options.

U.S. TREASURY BOND FUTURES (1-1)

Table showing U.S. Treasury Bond Futures (1-1) market data, including futures and options.

U.S. TREASURY BOND FUTURES (3-1)

Table showing U.S. Treasury Bond Futures (3-1) market data, including futures and options.

Advertisement for Ahold USA Inc. featuring the Ahold logo, text 'Ahold USA Inc. U.S. \$65,000,000 Multicurrency Loan Facility', and a list of participating banks including Citicorp, Bank of America, and others.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trusts, Allied Dunbar Unit Trusts, and others, with columns for name, manager, and performance metrics.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC - Contd.', including details for various investment funds.

Table listing unit trusts under the heading 'EPM Unit Trust Managers Ltd', detailing different investment strategies and their performance.

Table listing unit trusts under the heading 'Lazard & Manderley Ltd', providing information on various fund offerings.

IG INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

Table with columns for FT 30, FTSE 100, and WALL STREET, showing index values and changes for June 14, 1988.

JOTTER PAD

FT CROSSWORD No.6,656 SET BY HIGHLANDER. A crossword puzzle grid with numbered squares.

ACROSS 1 Current charge for buttonhole (6) 2 Sound of foot movement is plain (6) 3 House providing food for lower classes (7) 4 Having, fed, returned with first of Tang pottery (5) 5 Make different dates, unknown to regular girlfriend (6) 6 Young one gets a pound in all (5) 7 Sleep over? Expert has a cure (6) 8 To clarify anagram clue, I go out with American (9) 9 Authoritative demands accepted by secretary (9) 10 Mad artist, deranged theatrical writer (9) 11 Demotico to a place underground (9) 12 Notes amount of time taken (7) 13 A broken leg needs support, some pupils are taught this (7) 14 Smith's equipment is fake (5) 15 Strawn with boulders but not stable (5) 16 Down 1 Round in a boxing match (5) 2 Take care of teapots left at the bottom - it's priceless (7) 23 Sun is rising and it is contributing to nasal congestion (9)

Table listing unit trusts under the heading 'City Financial Services & Inv. Ltd', including details for various investment funds.

Table listing unit trusts under the heading 'Highlife Unit Trust Managers Limited', detailing different investment strategies and their performance.

Table listing unit trusts under the heading 'Merrill Lynch & Co. Inc.', providing information on various fund offerings.

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هكذا تصفنا

FT UNIT TRUST INFORMATION SERVICE

Table listing various unit trusts and their performance metrics, including Target Trust Managers Ltd, J. Rothschild Fund Managers Ltd, and others.

Table listing various unit trusts and their performance metrics, including AA Friendly Society, Abbey Life Assurance Co Ltd, and others.

Table listing various unit trusts and their performance metrics, including British National Financial Services, Commercial Union Group, and others.

Table listing various unit trusts and their performance metrics, including Continental Life Insurance PLC, General Accident Linked Life Assurance, and others.

Table listing various unit trusts and their performance metrics, including Hill Samuel Life Assur. Ltd, London Indemnity & Co. Inc. Co Ltd, and others.

Table listing various unit trusts and their performance metrics, including London Life, London & Manchester Group, and others.

Table listing various unit trusts and their performance metrics, including M & C Life and M & C Pension, M & C Life Assurance Ltd, and others.

Table listing various unit trusts and their performance metrics, including National Mutual Life, National Provident Institution, and others.

Table listing various unit trusts and their performance metrics, including Norwich Union Asset Management Ltd, Norwich Union Life Insurance Co, and others.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts including Balfour Beatty & Co Ltd, Cof. Bd. of Fin. of Church of England, and others.

INSURANCES

Table listing insurance companies and their details, including AA Friendly Society, Abbey Life Assurance Co Ltd, and others.

Commercial Union Group - Contd.

Table listing Commercial Union Group unit trusts and their performance metrics.

Continental Life Insurance PLC

Table listing Continental Life Insurance PLC unit trusts and their performance metrics.

General Accident Linked Life Assurance

Table listing General Accident Linked Life Assurance unit trusts and their performance metrics.

Hill Samuel Life Assur. Ltd - Contd.

Table listing Hill Samuel Life Assur. Ltd unit trusts and their performance metrics.

London Indemnity & Co. Inc. Co Ltd

Table listing London Indemnity & Co. Inc. Co Ltd unit trusts and their performance metrics.

London Life

Table listing London Life unit trusts and their performance metrics.

London & Manchester Group

Table listing London & Manchester Group unit trusts and their performance metrics.

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd... Table listing various insurance and unit trust products.

Premier Life Assurance Co Ltd... Table listing various insurance and unit trust products.

Profit Life & Pension Ltd... Table listing various insurance and unit trust products.

Property Equity & Life Ass. Co Ltd... Table listing various insurance and unit trust products.

Property Growth Asser Co Ltd... Table listing various insurance and unit trust products.

Provident Capital Life Ass. Co Ltd... Table listing various insurance and unit trust products.

Provident Life Assure Ltd... Table listing various insurance and unit trust products.

Provident Mutual Life Ass. Assn... Table listing various insurance and unit trust products.

Provident Assurance Co... Table listing various insurance and unit trust products.

Royal Heritage Life Assurance Ltd... Table listing various insurance and unit trust products.

Royal Life Assurance Ltd... Table listing various insurance and unit trust products.

Royal Liver Assure Life & Pension Ltd... Table listing various insurance and unit trust products.

Royal Heritage Life Assurance Ltd... Table listing various insurance and unit trust products.

Scottish Amicable... Table listing various insurance and unit trust products.

Scottish National Assurance Society... Table listing various insurance and unit trust products.

Scottish Widows' Group... Table listing various insurance and unit trust products.

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Scottish Life Assurances Ltd... Table listing various insurance and unit trust products.

Swire Life Precious Ltd... Table listing various insurance and unit trust products.

TARGET Life Assurance Co Ltd... Table listing various insurance and unit trust products.

Teachers' Assurance Company Ltd... Table listing various insurance and unit trust products.

UK Life Assurance Co Ltd... Table listing various insurance and unit trust products.

UK Provident... Table listing various insurance and unit trust products.

Wincher Life Asser Co Ltd... Table listing various insurance and unit trust products.

Standard Life Assurance Company... Table listing various insurance and unit trust products.

San Alliance Insurance Group... Table listing various insurance and unit trust products.

San Life of Canada (UK) Ltd... Table listing various insurance and unit trust products.

Swire Life Precious Ltd... Table listing various insurance and unit trust products.

TARGET Life Assurance Co Ltd... Table listing various insurance and unit trust products.

Teachers' Assurance Company Ltd... Table listing various insurance and unit trust products.

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Standard Life Assurance Company... Table listing various insurance and unit trust products.

San Alliance Insurance Group... Table listing various insurance and unit trust products.

San Life of Canada (UK) Ltd... Table listing various insurance and unit trust products.

MANAGEMENT SERVICES

David M. Aaron Personal Fin. Plans Ltd... Table listing management services.

The Analysts Group P.L.C... Table listing management services.

Advellie Insurance Brokers Ltd... Table listing management services.

Affiliated Financial Services Ltd... Table listing management services.

Blackburn Financial Services... Table listing management services.

Byran Wells & Partners Ltd... Table listing management services.

Choice of Investments Ltd... Table listing management services.

Clifford Financial Services Ltd... Table listing management services.

Deacons & Partners... Table listing management services.

First Financial Services PLC... Table listing management services.

First Financial Services PLC... Table listing management services.

OFFSHORE AND OVERSEAS

Alfred Dunster International Fund Mgmt... Table listing offshore services.

Affiliated Investment Management Ltd... Table listing offshore services.

Affiliated Investment Management Ltd... Table listing offshore services.

Brown & Caldwell... Table listing offshore services.

Capital International... Table listing offshore services.

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OFFSHORE INSURANCES

Albany International Assurance Ltd... Table listing offshore insurances.

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts such as British International Fund, British Growth Fund, and others, with columns for name, price, and change.

Table of London Share Service, including sections for British Funds, Foreign Bonds & Rails, Americans, Money Market, and Bank Accounts, with columns for fund names, prices, and changes.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and other financial metrics.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and other financial metrics.

BANKS, HP & LEASING

Table listing bank, home products, and leasing stocks with columns for stock name, price, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and other financial metrics.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for stock name, price, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for stock name, price, and other financial metrics.

ENGINEERING

Table listing engineering stocks with columns for stock name, price, and other financial metrics.

DRAPERY AND STORES - Contd

Table listing drapery and store stocks with columns for stock name, price, and other financial metrics.

ELECTRICALS

Table listing electrical stocks with columns for stock name, price, and other financial metrics.

ENGINEERING - Contd

Table listing engineering stocks with columns for stock name, price, and other financial metrics.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other stocks with columns for stock name, price, and other financial metrics.

HOTELS AND CATERERS

Table listing hotel and caterer stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

ENGINEERING - Contd

Table listing engineering stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INSURANCES

Table listing insurance stocks with columns for stock name, price, and other financial metrics.

LEISURE

Table listing leisure stocks with columns for stock name, price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial metrics.

INSURANCES

Table listing insurance stocks with columns for stock name, price, and other financial metrics.

LEISURE

Table listing leisure stocks with columns for stock name, price, and other financial metrics.

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LONDON SHARE SERVICE

LEISURE - Contd

Table of Leisure stocks including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, etc.

TEXTILES - Contd

Table of Textiles stocks including Textiles, Textiles, Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including Oil and Gas, Oil and Gas, Oil and Gas, etc.

MINES - Contd

Table of Mines stocks including Mines, Mines, Mines, etc.

PROPERTY

Table of Property stocks including Property, Property, Property, etc.

TOBACCO

Table of Tobacco stocks including Tobacco, Tobacco, Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades stocks including Motors, Aircraft Trades, etc.

Commercial Vehicles

Table of Commercial Vehicles stocks including Commercial Vehicles, etc.

Components

Table of Components stocks including Components, etc.

Garages and Distributors

Table of Garages and Distributors stocks including Garages and Distributors, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers stocks including Newspapers, Publishers, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, etc.

SHIPPING

Table of Shipping stocks including Shipping, Shipping, Shipping, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes and Leather, etc.

SOUTH AFRICANS

Table of South Africans stocks including South Africans, South Africans, etc.

TEXTILES

Table of Textiles stocks including Textiles, Textiles, Textiles, etc.

Finance, Land, etc

Table of Finance, Land, etc stocks including Finance, Land, etc, etc.

OIL AND GAS

Table of Oil and Gas stocks including Oil and Gas, Oil and Gas, Oil and Gas, etc.

Teas

Table of Teas stocks including Teas, Teas, Teas, etc.

MINES

Table of Mines stocks including Mines, Mines, Mines, etc.

Central Rand

Table of Central Rand stocks including Central Rand, etc.

Eastern Rand

Table of Eastern Rand stocks including Eastern Rand, etc.

Far West Rand

Table of Far West Rand stocks including Far West Rand, etc.

D.P.S.

Table of D.P.S. stocks including D.P.S., etc.

Diamond and Platinum

Table of Diamond and Platinum stocks including Diamond and Platinum, etc.

Central African

Table of Central African stocks including Central African, etc.

Finance

Table of Finance stocks including Finance, Finance, Finance, etc.

Australians

Table of Australians stocks including Australians, Australians, Australians, etc.

THIRD MARKET

Table of Third Market stocks including Third Market, Third Market, etc.

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. Alpha, Beta, Gamma, Delta, Epsilon, Zeta, Eta, Theta, Iota, Kappa, Lambda, Mu, Nu, Xi, Omicron, Pi, Rho, Sigma, Tau, Upsilon, Phi, Chi, Psi, Omega.

REGIONAL & IRISH STOCKS

Table of Regional & Irish Stocks including Regional & Irish Stocks, etc.

TRADITIONAL OPTIONS

Table of Traditional Options including Traditional Options, etc.

This service is available to any company that is a Stock Exchange member for a fee of £100 per annum for each security.

LONDON STOCK EXCHANGE

Equities at post-Crash peak and long Gilts higher after US trade deficit news

Account Dealing Dates table with columns for First, Second, Last, and Account Dealing Dates.

THE NEWS of a substantially lower than expected US trade deficit for April, quickly followed by a surge in the dollar and a bumper opening on Wall Street...

"long longs" added just over a point but the short dates stayed flat. Yields on UK long Gilts dipped to 9.27 per cent, the lowest since April 22, cheered by the fall to around 8.8 per cent in yields on US long bonds...

Equities were led by the major exporting stocks, which responded quickly to the fall in sterling against the dollar. Glaxo, a major dollar earner, stood out strongly, and currency factors also drove Bectham, ICI, BOC, and Unilever ahead...

Seag turnover increased to 481.3m shares (\$20.8m on Monday). While much of the immediate gain in the market reflected price mark-ups by the market-makers, the Seag total reflected the appearance of genuine investment buyers towards the end of the day...

Traders and analysts, while stressing that the market's advance was "very important", kept their enthusiasm under restraint. "The dollar is the key", commented Mr Roger Charlesworth at Chase Manhattan...

BAT shares dropped from 438p to 418p before market fears were allayed and a strong recovery instigated by a statement from the UK group. It said "fears raised by Farmers group regarding tobacco product liability are groundless, and simply attempt to divert attention from the real issues..."

The recovery in the stock was aided by the broad mid-afternoon surge in equity values after release of the US trade figures and, after turnover of 14m shares, the price closed a mere 3 down on balance at 436p...

With crude oil prices still weakening, and no news from the Opec meeting in Vienna, where a roll-over of current output agreements is being sought...

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Sec, Fixed Interest, and S.E. Activity with columns for June 14, 13, 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1 p.m.

LONDON REPORT AND LATEST SHARE INDEX: TEL 0898 123001

Brierley's hands, a move which could involve a rights or similar fund-raising operation. The strong feature in the sector was Guardian Royal Exchange, which jumped 17 to 838p...

Overseas earner Cookson advanced 17 to 277p, while Reuters moved up sharply to record a rise of 22 at 568p with the aid of US demand. Low and Bonar gained 6 to 245p on details of the sale of companies in its electronics division...

Store shares showed more signs of life, particularly in the afternoon trading session. Interest in Marks and Spencer expanded noticeably after the recent lean spell, with the shares improving 3 1/2 to 175p in a volume of some 5.6m...

on the bumper preliminary figures. Ennes featured brightly amid thoughts that the battle for control of French lighting group Holophane could be swinging its way and ended 26 up at 477p...

Currency influences were largely responsible for a sharp gain in ICI which moved ahead strongly to close 33 to the good at 1058p. Volume amounted to some 1.6m shares...

Yorkshire 11 to 236p. The chairman's forecast at yesterday's annual meeting of a good year for the company aroused demand for the shares of Pleasurama which rose 6 to 199p...

There were several highlights in an active property sector, with Pechey showing well on the back of continued bid speculation. The source of the bid remains unclear, but British Land continues to feature heavily in most rumours...

Investment Trusts were on the move after weeks of neglect and American stocks showed best because of the improvement in the dollar. Highlight of the bunch was Alliance Trust up 12 to 410p and Fleming American up 5 1/2 to 116 1/2p...

Traditional Options: First dealings June 13, Last dealings June 14, Last declarations Sept 15, For Settlement Sept 26. For rate indications see end of London Share Service.

TRADING VOLUME IN MAJOR STOCKS table showing trading volume for various stocks like ASDA Group, British Airways, etc.

RISES AND FALLS YESTERDAY table showing rises and falls for various categories like British Funds, Corporate, etc.

LONDON RECENT ISSUES

Table listing recent issues with columns for Issue Name, Price, and other details.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for Stock Name, Price, and other details.

"RIGHTS" OFFERS

Table listing rights offers with columns for Issue Name, Price, and other details.

FT - ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table showing Equity Groups & Sub-sections with columns for Index No., Day's Change, and other metrics.

FIXED INTEREST

Table showing Average Gross Redemption Yields for various fixed interest instruments.

LONDON TRADED OPTIONS

Table showing London Traded Options with columns for Option Name, Calls, and Puts.

NEW HIGHS AND LOWS FOR 1988

Table showing New Highs and Lows for 1988 for various stocks and sectors.



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WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, France, Germany, Netherlands, and Sweden. Columns include country, date, and various stock indices.

Table of stock market data for Canada, listing various Canadian stocks and their prices.

Table of stock market data for Japan, listing various Japanese stocks and their prices.

Table of stock market data for the 'Over-the-Counter' market, listing various international stocks.

Table of stock market data for the New York market, including the Dow Jones index and various active stocks.

Advertisement for 'Have your F.T. hand delivered in Germany' featuring the Financial Times logo and contact information for Frankfurt 0130-5351.

Table of stock market data for the New York active stocks, listing various individual stocks and their prices.

Advertisement for 'Travelling on Business?' featuring the Financial Times logo and contact information for Madrid and Barcelona.

Closing Prices June 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers for 12 Month, High, Low, Stock, Div. Yld., P/E, High, Low, Close, and Change. Includes various stock symbols and their corresponding market data.

Continued on Page 43

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for 12 Month High/Low, 52 Week High/Low, and various stock symbols and prices.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices with columns for 12 Month High/Low, 52 Week High/Low, and various stock symbols and prices.

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 14

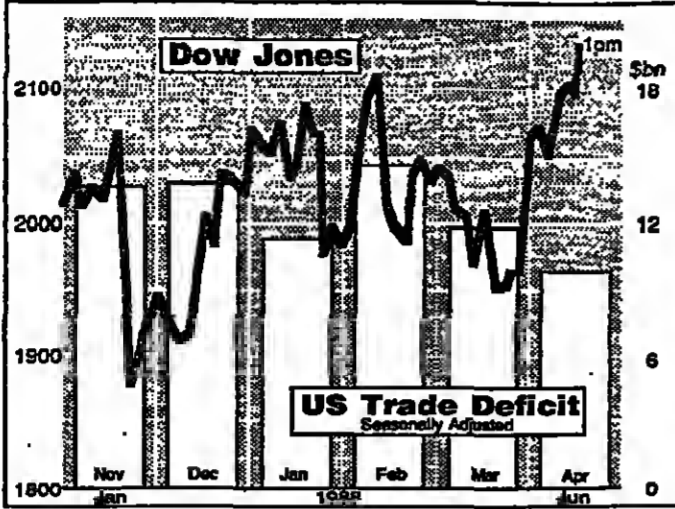
Table of Over-the-Counter prices with columns for 12 Month High/Low, 52 Week High/Low, and various stock symbols and prices.

Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered in Norway' and 'Have your F.T. hand delivered in Belgium'. It includes contact information for Oslo (02) 684020 and Brussels (02) 5132816.

AMERICA

Encouraging deficit figures lift Dow to post-crash high

Wall Street
EQUITIES surged yesterday in response to a set of very encouraging US trade figures in April, taking the Dow Jones Industrial Average to new post-crash highs.



The Dow index drifted below its highs but its close was still the best since the October crash, surpassing the previous peak of 2,110.06 on April 12. It closed 26.07 points higher at 2,124.47.

Low volumes reveal May's nervous tone

BY HILARY DE BOER

TURNOVER continued to fall on most leading European bourses last month and several stock exchanges turned in their worst monthly performance this year in terms of trading volume, with Paris seeing improved activity.

NEWS of a sharply narrower US trade deficit gave a boost to European markets that were still open, notably Paris and Amsterdam. Other bourses were mixed, but Helsinki reached a fresh peak.

Paris and Amsterdam rally after better US trade news

London

A QUIET and cautious morning was transformed by the US trade figures and the FT-SE 100 index jumped from a 7 point decline to a new post-crash high, putting on 27.4 points to 1,866.2.

International stocks led the recovery, with ICI, Glaxo, Beecham, BOC and Unilever all rising.

ing rumoured to be on behalf of foreign investors. Dow Chemical is expected to announce that it has added to its 5 per cent stake and Montedison shares continued to rise in after hours trading.

Table: EUROPEAN EQUITIES TURNOVER. Monthly total in local currencies (bn). Columns: Source, May '88, Apr '88, Mar '88, Feb '88, Jan '88, month av '87.

ASIA

Surge in steels helps Nikkei recover

Tokyo
A LATE buying surge held the Nikkei average above the 28,000 level in Tokyo yesterday after an earlier retreat as investors moved to the sidelines for the imminent release of the US April trade figures.

NKK was up Y8 at Y520 and Kawasaki Steel rose Y15 to Y549 after falls of between Y4 and Y12.

SOUTH AFRICA

A DROP in the bullion price pushed Johannesburg gold stocks lower yesterday. The gold bullion price fell to 2,600, but it fell back on profit-taking as it neared the post-crash high of 2,684.13.

Before noon the index was up 23 points to 2,600, but it fell back on profit-taking as it neared the post-crash high of 2,684.13.

FT - ACTUARIES WORLD INDICES

Table: FT - ACTUARIES WORLD INDICES. Columns: NATIONAL AND REGIONAL MARKETS, TUESDAY JUNE 14 1988, MONDAY JUNE 13 1988, DOLLAR INDEX. Rows: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. SA, World Ex. Japan, The World Index.

Advertisement for Morgan Stanley Group Inc. Common Stock. Text: All of these Securities have been sold. This announcement appears as a matter of record only. 960,464 Shares. Morgan Stanley Group Inc. Common Stock. Of the 960,464 Shares, 200,000 were offered outside of the United States and Canada by the undersigned and 760,464 were offered in the United States and Canada by the United States underwriters.

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# Finstat

FINANCIAL TIMES PRICES ONLINE HISTORICAL DATA • RATE UPDATE • STATS PACK

See FINSTAT at PIMS  
Stand 505, NEC Birmingham, 16-18 June

## The Use and Misuse of Statistics

There are three kinds of lies - lies, damned lies and statistics.

Virtually every schoolchild knows Benjamin Disraeli's dismissal of a science that he doubtlessly saw as black as the art of politics itself. But while everyone knows that you can prove anything you want with figures, few have yet realised that misusing statistics when giving investment advice can now land investment professionals with a seven year prison sentence. The essential difference between now and Disraeli's time is the Financial Services Act which makes "misleading statements" an offence. The dividing line between a misleading statement and one that is merely over-optimistic has yet to be tested in the courts but judging by the caution now seen in the drafting of advertisements for unit trusts, insurance bonds and pension funds, the message is being taken very seriously indeed.

It needs to be. For while investors and their advisers might have a healthy scepticism of statistics and while publicity material always contains the small print admonition that past performance is no guide to the future, the past investment record of a fund or a fund management group cannot be ignored. The future is the great unknown. The past, however, may well contain some pointers, even if they are only of the negative kind.

If statistics were not deliberately misused before the Financial Services Act came into full force, they were certainly treated with a cavalier attitude in many quarters. Fund managers would select their period of comparison. The ABC Global Opportunities Fund might well have been the best performer over three years. But the managers omit to mention that all of that outperformance came in the first month of that period when the fund was lucky enough to strike an Australian gold mining hotshot.

Since then the performance has

been distinctly below average but nevertheless the table topping is clearly printed in black and white.

Another statistical abuse is the "fourth in its sector since inception" line. This will omit mentioning that the sector only had four other funds at the time of launch.

An all too common statistical trick during last year's bull market was to compare a unit trust performance with a building society account rather than a relevant stockmarket index or indeed the average of all other comparable funds. When share prices are booming, only the weakest trust fails to beat this test.

### Comparison backfires

Purists argue that it is wrong to compare risk-free investment to one whose capital value could fall. Pragmatists retort that most new unit trust money comes out of the building societies so that investors are being shown the difference between action and inaction. Whoever is right, this comparison has now backfired in two ways. Advisers realise that the best trusts compared themselves against the index whilst only the mediocre needed the building society return for flattery. And the post-October crash bear market makes a building society a very safe haven.

The Financial Services Act and the need for independent intermediaries to give best advice should cut out many of the abuses. Section 47 - which ends up with the threat of seven years imprisonment - says that any person who "makes a statement, promise or forecast which he knows to be misleading, false or deceptive or dishonestly conceals any material facts" is guilty of an offence.

And LAUTRO - the life assurance and unit trust regulatory organisation - says in its rules that advertisements shall be fair, clear and not misleading. LAUTRO

counts omissions as seriously as commissions. It also insists that statistics should include a five year record where the trust has one.

One of the benefits of the new financial services legislation is that it forces marketing departments away from the abuse of statistics. And this will enable advisers to see performance figures in a new light - especially if they have access to the same database and software as the investment companies themselves.

This enables them to check if the claimed performance is due to a one off freak investment or if the fund has consistently been ahead of the field.

And once they have the raw statistics in their hands, intermediaries can look at factors such as volatility. Two funds might go from 100p to 150p in three years but while one might do so in steady steps, the other gets there in a snakes and ladders formation testing lows of 50p and highs of 300p on the way. Looking behind the statistics should help find a fund for the nervous investor and one for the brave. What is the client's risk tolerance?

Obviously statistics are only part of the story. The adviser has also to be acquainted with the fund manager and be aware of changes in arrangements for stock selection and asset allocation. And if a new team takes over, advisers armed with good statistics should at least be able to get some idea of their past record. In best advice terms, the bonest use of statistics should be a defence against irate clients accusing their intermediary of giving somewhat less than best.

One answer to Disraeli's scepticism regarding statistics is to have equal if not better figures than your adversary. And the other is to quote that eminent Victorian lady, Florence Nightingale. "To understand God's thoughts, we must study statistics for these are the measure of his purpose."



Andrew Hughes, Finstat Manager, examining a file from the new historical database

## Opening the past for the future

History is far from bunk when it comes to financial services and investments. While the past is no guaranteed key to the future, it is an area of stability in the constantly shifting parameters of the investment world.

Finstat now not only provides a daily electronic feed of prices, it can also give the historical data necessary to understand each day's figures.

Knowing that a unit trust price is 94p bid and 100p offer allows the intermediary to do no more than work out the valuation of a client's holdings and calculate how many units a new holder will acquire for a set amount of cash.

These are essential tasks but they are mechanical, available to any person with access to a pocket calculator. The commission the intermediary earns represents the value added by being able to interpret that price.

And to do that means knowing what the price was the day before, last month, this time last year and five years ago. Or any other timescales that the adviser believes to be relevant.

But until recently, the Finstat historical database was only available for internal purposes, helping to produce the statistics pages of Money Management, Financial Adviser and the other magazines within the Financial Times Business Information group. This meant that while intermediaries could call up the most recent prices on their screens via their Finstat feed, they had to turn to non-electronic media in the shape of magazines for the historical data that would place the price in context.

The alternatives were expensive. One was to enter several thousand prices a day manually into a spreadsheet or other suitable software. This was costly and risked an unacceptable level of inaccuracies.

The other was to subscribe to an expensive online service which advisers could not shape to their own personal requirements. Now that historical data is available from Finstat, neither of those alternative methods are now needed.

With historic data, Finstat users can now support portfolio valuation systems and calculate the potential liability - if any - of the client to

capital gains tax. And that has become a more difficult task since the changes in this year's budget. The price the client might have paid is no longer necessarily the base price for calculating this tax.

Historic data is also essential for users of graphical and technical analysis systems enabling them to create moving averages and indicators of volatility. The ease and comparative low cost of historic data from Finstat will doubtlessly convince many more intermediaries to use these forms of analysis, adding them to their armoury of "best advice" methods.

### Extensive coverage

The content of the historical database is being continually upgraded by Finstat but currently, daily prices for unit trusts, insurance bonds, pension funds and offshore funds are available since 1985 with monthly prices covering the period between then and 1970.

And even those advisers who have been manually updating data on a daily basis may not have realised the growing importance of currency exchange rates in the fund equation. In many instances, currencies have been a greater determinant of markets than share prices. Equally, it is important to have the major stockmarket indices of the world. Passive investment where a fund merely tracks an index, having all of its contents - or

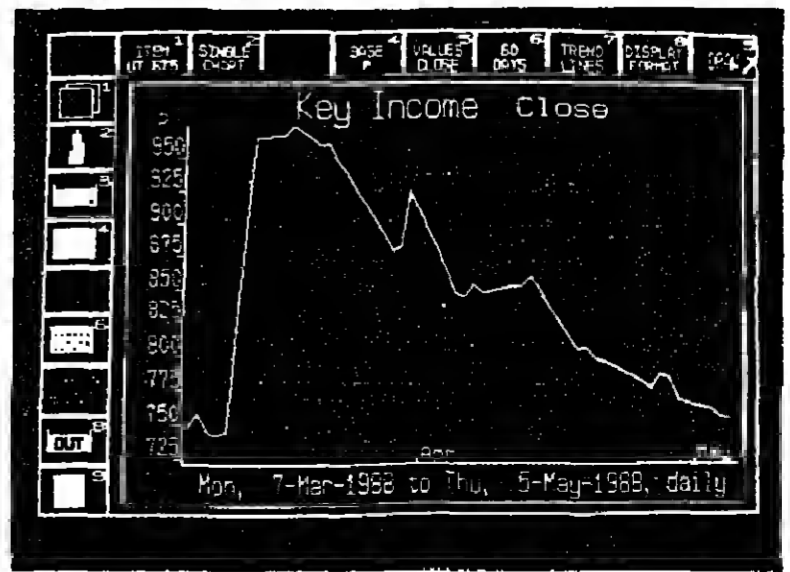
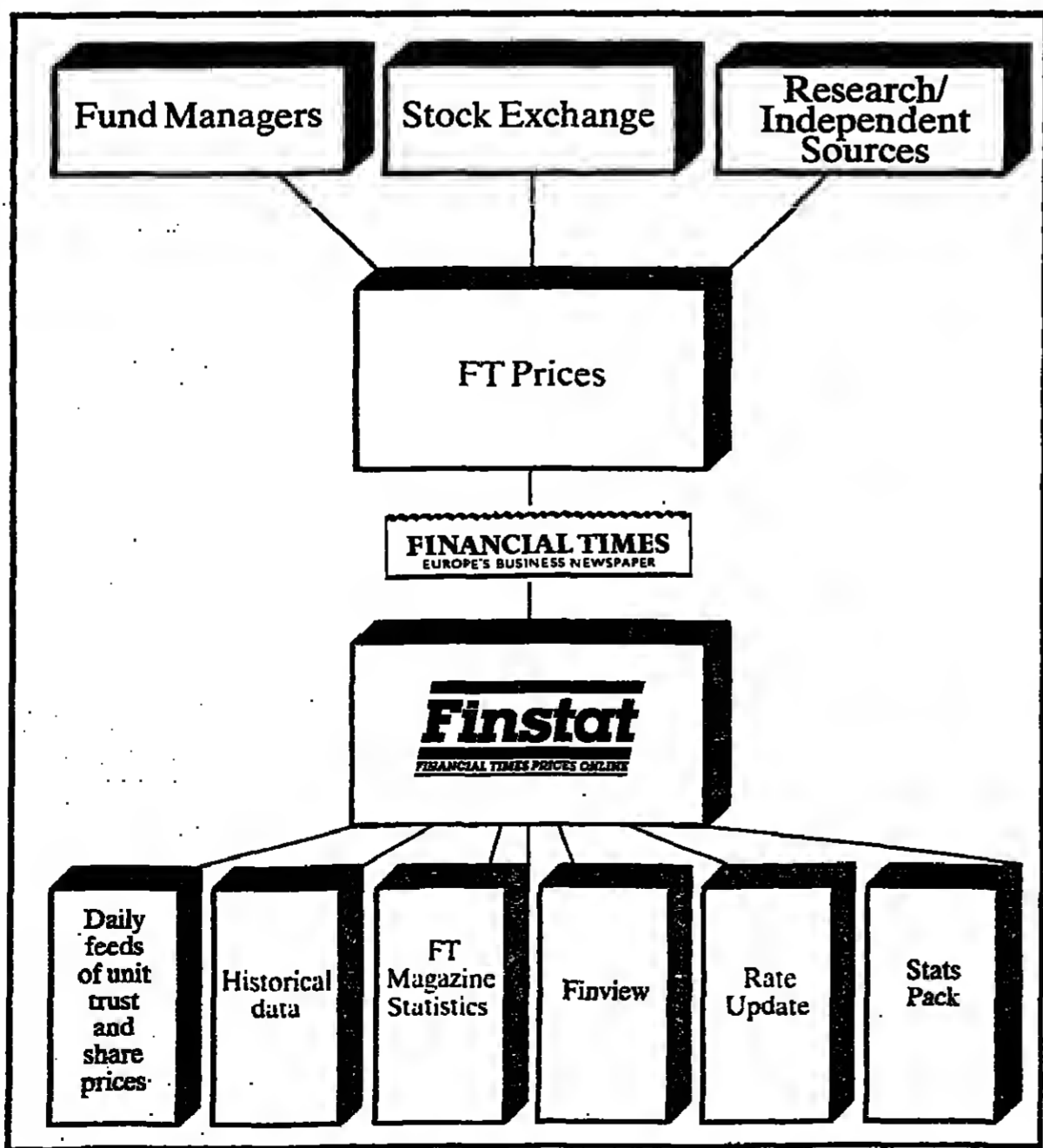
a statistical proxy - is growing in public visibility even if it remains contentious to many.

And recent research among United States pension funds investing internationally has shown that picking the right stocks and shares plays only a minor role in any outperformance by a fund compared with being in the right market and the right currency.

Finstat offers the daily values of the FT-Actuaries Index and daily figures for currency exchange rates and major international indices such as Standard & Poors in New York and the Nikkei in Tokyo since 1979. FT World Actuaries Index values are available daily from 1986.

There are two ways in which subscribers can gain access to Finstat's historic data. The more popular method is installation on the subscriber's computers by a software company who can adapt the format for the requirements of different programs. But historic data can also be provided on a disk in a format which most programs can use. Once the disk has been purchased or specialist program installed, there is daily updating via the normal Finstat feed each evening.

However the data is installed, purchasers do not have to buy more than they need. They can choose which information they require, whether they want daily data or some other period and how much of the past they wish to purchase.



ADVERTISEMENT

# **Finstat**

FINANCIAL TIMES PRICES ONLINE

## No Finstat – no figures

A massive advertising campaign has taught the entire nation the slogan "No FT... no comment." But a more select group, whose professionalism and professional well-being depends on accurate statistics, have known for decades that no FT means having to rely on less complete and possibly less accurate sources for share, unit trust and insurance bond prices.

Equally, the FT has achieved worldwide renown for the quality of the various indices that it provides in its pages. The FT-30 Index – and more recently the FT-SE100 (the Footsie) – are quoted in daily general news programmes on both radio and television as well as by other newspapers, some of which have tried in the past to launch rival services but without success.

**Whose baby?**

And in the highly competitive area of supplying world indices, the FT-Actuaries World Indices series has one great advantage over its rivals in that index figures for 24

major global markets are calculated in a standardized manner. Index values are quoted in several currencies to aid comparison.

But good figures are only a base – the raw material to be analysed and used according to the individual's needs. Making them available electronically was a logical extension of the paper's commitment to providing the most effective means of communicating this essential information.

Finstat started in early 1985, the child of two parents. On the one side, there was the FT itself which at that stage was moving away from the old manual methods of typesetting towards electronic setting. As far as the various pages of securities prices went, that decision allowed prices to be directly input from an outside source.

On the other side were suppliers of software who told the FT that similar data available from other sources via electronic means was too expensive. If the FT could provide a low cost electronic feed of its prices, they said, it would open

the way to a huge market. They wanted material that could be sent in such a way that most intermediaries could easily receive it without having to spend heavily on new hardware. Some of the rival services were more suitable for the minority of users who had a mainframe computer. Market research confirmed what the software designers were saying.

**No conclusion**

Finstat was born in January 1985. And it is constantly improving. A growing number of software companies design products fulfilling a variety of needs around Finstat data. At the last count, there were over 30 packages available and more are in the pipeline.

And as the applications grow, so too does the number of financial advisers who take Finstat. There are currently several hundred end users both in the United Kingdom, where they are by no means confined either to the City or even to the major conurbations, and abroad including Spain, Luxembourg, the United States, Cyprus, West Germany and Belgium. Banks, building societies and fund managers take Finstat as well as intermediaries.

It has proved to be reliable, cost effective and accurate as well as having price advantages and the flexibility to support a wide range of applications of which the three most important are portfolio valuations, analysis and sales support, including graphics.

The story of Finstat so far is one with no final conclusion in sight. Development into the scope and speed of the service continue apace. And unless progress in electronics and the needs of intermediaries and others in the financial arena suddenly both become finite, the future story of Finstat has no concluding chapter either.

# Financial Times Prices

**Where the figures come from**

Well before you go to bed each night and trading starts in the Far Eastern markets, thousands of Finstat prices have been downloaded to subscribers' computers along the telephone lines using Telecom Gold. But even before they leave on that journey, they have already travelled a long way.

To value the 6,000 Finstat quoted unit trusts, bonds, pension and offshore funds the fund managers have had to collect prices from bourses all over the world. Around half the figures sent out each day are the result of stock exchange trading in London. That market closes around 5.00p.m. each day. Immediately afterwards, some 3,000 share prices come off the main computer at SEAO – the Stock Exchange Automated Quotation system – and into the Financial Times.

All the SEAO prices are mid-market, halfway between bid and offer quotations but on other figures accompany them. Extra data such as the price/earnings ratio, highs and lows, cover, classification, the yield and the change on the day are added by the Financial Times Prices department, a thirty strong group whose sole job is to collect the prices and other financial data and turn them into the statistics in the back pages of the newspaper and on Finstat.

Once the raw SEAO data has been checked and processed and the extra data added it is sent out over error correcting lines to Telecom Gold and on to Finstat subscribers. Users can get a daily check of the number of shares in issue for each quoted company, so that advisers can work out market capitalisations instantly, and an indication of the FT Actuaries grouping that a share belongs to.

**No pipe dream**

Collecting the prices for insurance bonds, unit trusts and offshore funds is more complicated. Instead of one source of information – SEAO – the FT Prices department has to deal with well over 600 separate companies. At one time, all the prices were processed manually either as a result of a telephone call or a telex from the investment company.

Now the Prices department is successfully moving towards auto-



Ian Craig, FT Computer Services Manager, with the FT Prices collection team

matic price collection. Some prices come in via Telecom Gold. Others arrive via telexes which can be automatically read by the prices computer. A minority still arrive in the old way. Of the three main areas, automatic price collection is the most advanced in offshore funds where upwards of 90 per cent are automated. Around 80 per cent of authorised unit trust prices arrive in an automated form while the onshore insurance bonds are the laggards with just over 60 per cent automated. The proportions are increasing rapidly so that the even-

tual goal of total automation is no longer a pipe dream.

**First priority**

Higher levels of automation give later deadlines and improved accuracy. Less rekeying of data reduces transcription errors and allows staff more time to spot and correct mistakes. Most of the 12,000 prices on the 6,000 unit-linked funds covered daily by the FT now reach the newspaper and Finstat subscribers' computers without any rekeying of the prices



## All tastes... all pockets

A major difference between Finstat and certain other electronic statistical services is that Finstat is effectively a stream of numbers which can be used by the financial adviser in a large number of ways. Other services often limit the end user to a restricted range of applications while a few can only be used in one prescribed method.

The Finstat user can choose between a wide variety of more than 30 applications ranging from portfolio evaluation to technical analysis on quoted securities, trusts, currencies and indices. Many Finstat subscribers use the same Finstat data in two software packages. Software to support Finstat can cost as little as £50 and as much as £5,000. Users pay for as little or as much as they need. There are packages to suit both large and small firms and the different types and classes of investment business. Many companies with their own technical staff write or adapt their own software to use Finstat. The extremely simple Finstat file format was designed for easy programming.

**Greatest variety**

Portfolio management applications for tracking client holdings and providing instant valuations have the greatest variety of software. Consort Data, which has been involved with Finstat since the service started, offers client record management and investment fund management systems. There is also a securities dealing system which issues contract notes and automatically updates client portfolios. One of the advantages of Consort Data software is that it has been built around Finstat. It features a validation process to doublecheck the Finstat feed for transmission errors.

Misys, a USM quoted software group with a stockmarket valuation of over £30m has supplied over 600 intermediaries with its Misys Datal-ler system which provides facilities for selecting all types of risk including commercial and personal

lines such as home contents cover or permanent health insurance as well as investment-related products. Mysis specialises in computer systems for financial intermediaries and offers a full range of network solutions for larger brokers. They are the only software company to hold a Finstat sales agency, allowing them to offer customers a 'one stop shop' for all or any of their software products that use Finstat data.

**Investment performance**

Mysis also act as selling agents for Hindsight from HSW. This illustrates and analyses investment performance using high quality colour graphics based on historical data from Finstat. But because of the large amount of data that is now available, Hindsight is best when used with hardware more powerful than a standard IBM compatible PC. A machine with a 40 megabyte hard disk and high resolution screen is ideal.

Another company with extensive networking experience is Bristol based Redcliffe Associates. Their package was initially developed for their internal use but is now winning acceptance as one of the top life portfolio and client management systems. It also incorporates full commission tracking and reporting.

LSD offers a popular and highly developed investment management package aimed primarily at managers of discretionary funds. Extra modules to handle a range of specialist functions such as CGT tracking are available.

West Midlands based Swift's system has also benefitted from extensive development over several years and is price competitive at just £700 for a standard portfolio management package.

Inner Product's Trustbase includes software to download Finstat files at cheap overnight rates and graphical representation of losses and gains on portfolio holdings, as well as the usual client record

holding features. Inner Product, who specialise in customised financial software and consultancy, also sell a simple package called Sharecom that downloads Finstat and puts the files into Lotus 123 format.

Star, like Misys, are a large quoted company. They specialise in systems for accountancy firms, as do Orchard. There is also a package specifically designed for solicitors from AIM. Blueprint Portfolio from Spottiswoode & Spottiswoode is suitable for the larger fund management operation and is available in both single currency and multi-currency configurations. But

Blueprint is also suitable for operations such as solicitors and accountants with a small cross section of clients.

At the larger end of the portfolio management market is Clarke & Tilley's IM-PART. This is aimed at investment managers whose data volumes and budgets are below the level at which expenditure on a mainframe computer can be justified. Clients include international banks, stockbrokers, pension fund

managers and unit trust groups. Clarke & Tilley is well known for mainframe software in areas as difficult as global custodianship.

With the FAIRS packages, advisers can buy as little or as much as they need to convert the Finstat feed into their own needs. Fund Manager Plus keeps track of the clients' investments with automatic update of prices, giving a graphical display and portfolio analysis reports.

Further details of these and other software companies are available from Finstat.

	Telus	SWH	Spor	Spottiswoode	Star	Recliff	Orchard	Misys - Hindsight	Libra II	Minnic	LSD	Information Resources	Interbank	Sharecom	Independent Systems	ISW	FAIR	Consort Data	Clarke & Tilley	AIMPT
<b>PORTFOLIO MANAGEMENT</b>																				
<b>PRIVATE INVESTMENT</b>																				
<b>INSURANCE LINKED</b>																				
<b>PENSIONS</b>																				
<b>UNIT TRUSTS</b>																				
<b>SHARES</b>																				
<b>GRAPHICAL PROJECTION</b>																				
<b>TECHNICAL ANALYSIS</b>																				
<b>DECISION SUPPORT</b>																				
<b>MULTI-SCREEN</b>																				
<b>OVERNIGHT COMMS CAPABILITY</b>																				
<b>CONTRACT GENERATION</b>																				
<b>SPREADSHEET INTERFACE</b>																				
<b>MULTI-CURRENCY</b>																				

Guide to Finstat compatible software companies and their product applications

And if you follow the investment theory that says this year's worst performer is likely to be one of the winners next year while it's unlikely that this year's best fund will repeat that outperformance over the next twelve months, then Investment Eye is worth considering. It automatically seeks out the best and the worst funds using criteria which are set by the user.

The concept of technical analysis – forecasting the future from graphs showing the behaviour of the share, currency or commodity in the past – has as many fans as foes. Few are agnostic.

Enthusiasts can choose between three very powerful systems and a low cost lower capacity program. Telegraph from Telus allows the user to zoom in on the area on the chart of most interest and to scan through graphs as though flipping through a chart book in search of the ideal investment opportunity.

Indexia from Rowen Investments offers three moving averages in different colours and the ability to call upon up to 42 years of back history. In the bargain basement is Moneywise where software for technical analysis starts at under £50. It is aimed at the occasional user. It can cover 300 share or unit trust prices for up to three years using weekly prices.

Other products such as Investment Advisor from Antar – which updates from Finstat but prices at a level to appeal to the serious private investor as well as the smaller intermediary – cover both technical analysis and portfolio management. Sharewatch from Sington Associates is similar in cost and purpose.

And for the bigger users, there is Minnic which can take care of thousands of trades a day on up to 200 terminals with disk storage capacities ranging up to hundreds of gigabytes (a thousand megabytes). Smaller versions are available. All sizes update from Finstat.

# Prices - gathering strength



calculated by the fund manager. The first priority is using all this information to set the prices and related statistics in the newspaper itself. But once that has been done, the computer moves over to feeding the Finstat network. The names of the funds and their prices are changed to a code which saves money on transmission time as well as making it easier for the receiving computer to read. Special characters - known as checksums - are added to the data to enable receiving computers to test for transmission problems. The data

itself has already been checked once. But as it goes through the computer and on to the Telecom Gold network, it goes through a further series of checks to weed out impossibilities that might happen if a decimal point were to slip.

### Continual improvement

The system has been continually improved over the last three years so that the failure rate is negligible. The few failures that do happen can be attributed to noise on the telephone line, which can occa-

sionally erase a price, but the checksums make it simple to identify and correct any problems.

The importance of automatic price collection by the Financial Times Prices department becomes all the more vital later this year as unit trust groups move over towards making valuations more than once a day. One large group is set towards once an hour valuation by the end of 1989. Automatic price collection combined with Finstat's electronic delivery system will make it possible for brokers to keep in touch with a more fluid set of fund prices.

## Finview sets sail on InView

Finstat, the online prices service which offers a daily electronic feed of Financial Times statistical data, is launching Finview at FIMS in Birmingham.

For the first time, intermediaries will be able to access up to date information on the entire range of authorised unit trusts and give instant hard copies to their clients via the InView screen service. InView is already in the offices of some 17,000 financial advisers who until now have used it largely to find the most suitable mortgage for a client and then to discover which endowment policy represents best advice. InView is the insurance industry's leading viewdata service. It claims the lion's share of the market.

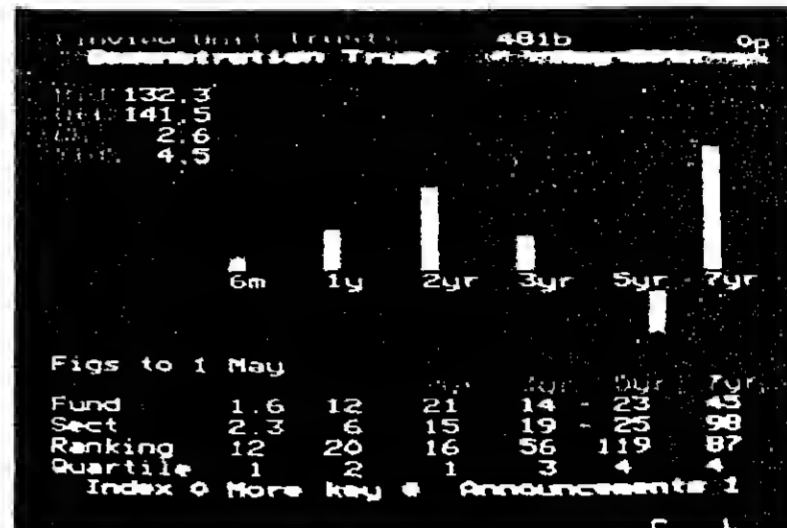
Finview has been specially developed by Finstat to meet the needs of the intermediary. It will offer the latest unit trust news so that advisers are no longer dependent on waiting for the post or scanning newspapers and specialist publications.

When stockmarkets fall by huge amounts between reading the morning newspaper and lunchtime as they did last October, access to the oews becomes all important. But Finview will cover much more than the macro picture of world markets. It will also give the latest news and details of what is happening in the industry including changes in legislation and regulations, fund launches and - increasingly over the past months - details of fund mergers. Finview can help the broker give the best advice that is a requirement of the Financial Services Act.

Most intermediaries realise that a growing number of clients now have access to a wide variety of information. Clients expect to be told by their brokers what is happening to their investments and not have to contact them with questions and then find not only that they do not know the answer but are also unaware of the question.

World stockmarkets were fast moving and volatile before October. But at least the general trend was in the right direction - upwards. Now markets are not only fast moving and volatile but there is no longer any certainty as to direction.

This makes fund performance particularly difficult to monitor. Finview, however, can provide updated details in an easy to access form which can highlight the best



Sample screen of fund performance details on the new Finview service

and the worst performing funds using Finstat historical data.

As well as performance tables, Finview also provides summaries for each of the 1,200 plus individual funds. Information on display includes the current bid and offer prices, the dividend yield of the trust and its total valuation, its annual and initial charges and the minimum investment level the managers are prepared to accept. Unit trusts which have monthly savings schemes - an area of increased investor interest since the crash - are also indicated together with full details. Each unit trust has several on-screen pages in the Finview service. Some are dedicated to the performance of the individual fund showing its growth over several periods and its comparative ranking within its own investment sector.

### Easy to use

Finview has been designed with the needs of the busy intermediary in mind, being on the same InView system as mortgage and insurance information. But it has also been conceived with cost as a major consideration. Like many InView services, Finview is a 'pay as you view' system. And this is especially important to the intermediary who only occasionally advises on unit trust sales and purchases.

This makes it an alternative to certain costly systems currently on offer which charge the same whether the system is used once a week or several times an hour. Finview has no minimum charge

nor is there any commitment to pay for more than is used. There are two charges. The first is the cost of the phone call to link up with the InView service. Using the UK's largest private data communications network, 98% of all business telephones in the country can access InView for no more than the cost of a local call.

The second is a specific charge (approximately 35p per minute) for accessing the unit trust information on Finview. Billing for Finview payment is made monthly.

Finview has also been designed so that it is simple to access - and equally as important, it is easy for the least experienced staff to use. There is on-screen help to guide users through Finview step by step thanks to strategically placed 'menus' which set out the many options available, help facilities and prompts to suggest the next action in a normal chain of events. And once staff become a little more experienced, they will use keywords which enable them to move rapidly between functions, not only saving time but also cost.

Clients will appreciate the full colour graphics and the facility that InView users have to make a hard copy. Giving one copy to the client and filing a second helps meet requirements of the Financial Services Act.

Existing InView users are authorised to access Finview immediately. Others must join the InView system. The only hardware required is a viewdata set or a suitability adapted microcomputer - and a telephone line, of course.

## Finstat

FINANCIAL TIMES PRICES ONLINE

### FINSTAT FEEDS

HISTORICAL DATA - RATE UPDATE - STATS PACK

HISTORICAL DATA - RATE UPDATE - STATS PACK

HISTORICAL DATA - RATE UPDATE - STATS PACK

HISTORICAL DATA - RATE UPD.

Finstat provides a wide range of feeds, enabling you to subscribe to the data you need. The full range of feeds is described below.

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SIS1: Price and yield for the 3,000 shares and gilts (approx) quoted in the back pages of the FT.	60	50	25
SIS2: Price and yield for gilts and the 750 constituents of the FT Actuaries Indices together with prices for gilts.	60	50	25
SIS3: Price and number of shares in issue for the 750 constituents of the FT Actuaries Indices together with prices for gilts.	60	50	25
SIS4: Price and number of shares in issue for the 750 constituents of the FT Actuaries Indices together with an indication of the indices groupings to which a particular stock belongs, and prices for gilts.	90	75	40
SIS5: Price and P/E ratio for the 3,000 shares (approx) quoted in the back pages of the FT, and prices for gilts.	60	50	25
<b>GROUP 2: FT INDICES</b>			
ACT 1: FT Actuaries Indices Table	30	25	15
ACT 2: FT30 Share Index	30	25	15
ACT 3: FT Actuaries World Indices	30	25	15
IND1: FT Actuaries and World Indices, International Indices and Currency Exchange Rates	FREE*/30	FREE*/25	FREE*/15
CURE2: Sterling and US Dollar exchange rates, pound spot and forward rates (1 month, 3 months)	60	50	25
*Available free of charge to anyone subscribing to a Group 1 or Group 3 feed.			
<b>GROUP 3: FT UNIT TRUST INFORMATION SERVICE</b>			
UTS1: UTAS - Bid price and yield for Authorised Unit Trusts (Life and Pension)	60	50	25
UTS2: UTAS - Bid price and yield for Offshore and Overseas Funds	60	50	25
UTS3: UTAX - Bid price, offer price, change and yield for Authorised Unit Trusts	60	50	25
UTS4: UTIX - Bid price, offer price, change and yield for Insurance Funds (Life and Pension)	60	50	25
UTS5: UTIOX - Bid price, offer price, change and yield for Offshore and Overseas Funds	60	50	25
<b>GROUP 4: FT DIVIDEND INFORMATION</b>			
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## Finstat - hard facts in hard copy



Some of the FT publications that carry Finstat statistics

Finstat provides statistics for the wide range of magazines aimed at private investors and their advisers within the Financial Times Business Information Group.

After the weekly *Investors Chronicle*, the longest established title is the monthly *Money Management*, half of whose pages are devoted to statistics. It is the best selling magazine in its field. Ahead of all the changes in pensions legislation and practice now taking place, it was joined some three years ago by *Pensions Management*, which has rapidly become the leader in its market.

Two publications aimed at intermediaries, *Financial Adviser* and *Offshore Adviser*, make full use of Finstat as do *The International*, a newcomer this year, and the long established *Resident Abroad*. Both

*The International* and *Resident Abroad* are read by expatriates.

Finstat's electronic data feed enables all these titles to update their statistics in a matter of minutes where previously it took days of manual labour. But equally important, the editorial statistics staff can explore the significance of these figures using one of the various software packages available. An exercise to check the week by week performance of a large range of unit trusts would have been virtually impossible by manual means. But using Finstat, that task presents no problems.

The statistics in the two monthly magazines cannot be with readers until the rest of the magazine is complete. High quality colour printing is not as fast as users would wish and there is also the need to

check and double check articles for accuracy.

But anyone who needs the figures that appear in *Money Management* and *Pensions Management* can subscribe to *Stats Pack* which provides Finstat data once a month by post just one day after the first working day of the month.

This gives anyone - intermediary or investor - a virtually instant update of data which carries all the authority of the Financial Times behind it.

Rate Update, the weekly guide to life assurance rates, is another offshoot of the magazine statistics available from Finstat by subscription. It provides, amongst other details, the full market surveys of comparative rates with the relative market position for different insurance companies.

## Finstat - as seen by the software companies

Finstat is raw data. It needs a suitable software package to turn it into useable information. And software companies have been associated with Finstat since its very inception.

"We were instrumental in the setting up of Finstat," says John Everett the managing director of software house Consort Data.

"Back in 1983" Everett explains "we introduced our Client Record Management system which was designed as a portfolio management tool for stockbrokers. It worked but the users did not like the chore of inputting prices each day. Towards the end of the following year, I had a meeting at the Financial Times where I suggested that the daily closing prices should be made directly available to users.

"We discussed certain design parameters that were necessary for a product that was to be transmitted over slow speed telephone lines. Everything possible had to be done to save time and there was the need for validation. Finstat was designed with this in mind and the requirement that the receiving brokers should not need elaborate hardware. While other statistical ser-

vices seem more designed for the mainframe user, Finstat is the optimum design for its purpose."

Keith Stafford is the software designer who created *Hindsight* from HSW. "When we were designing *Hindsight*, we had several requirements," he says. "We needed complete coverage of the markets, a daily supply of information and one that was transmitted overnight so that it would be useable as soon as work started the next day. We were also looking for reasonable costs."

At that time, Finstat was not supplying its historic database to outsiders but after negotiation, it was made available to HSW who put it in a form that was more user friendly.

"We were and remain enthusiastic about the security of supply which is very strong," continues Stafford. "We like the long term experience behind Finstat and the fact that they were prepared to price it so that it would not just circulate amongst the rich institutions of the City. For our product to be successful, it had to sell beyond that group."

"It is extremely reliable. In the

two and a half years since we started working with Finstat, problems have been very rare and then mainly with Telecom Gold. We are confident of time targets.

"And it is an independent source of information. Others use information that comes second hand from another source, to which they then add value and redistribute. Users have to pay for the costs of the middle man. We would worry that the middle man is introducing a further level where something can go wrong."

"We see the future as infinite. There are no space restrictions with Finstat - unlike the newspaper - and we hope that even more information will be published. Finstat is taking the right direction, investing heavily where it matters."

Bryan Turnock at software group Misy's agrees. "It is very good quality data. When it comes down the line, we never feel the need to question its accuracy. It is the industry standard. Everyone knows the position of the Financial Times. We believe that they will not limit themselves to the present day product for there are no bounds to what could be done."

So the Stockmarket gave you a bit of a hammering in October. And it hurts. But that's no reason to go to ground. Bury your money under the floorboards, and all you'll get is mouldy money. There's no question - you could do better.

information, how will you be able to time your comeback right?

With *Investors Chronicle* every Friday, you keep your options open. Stay put. Play safe. Or try a little flutter.

At a time like this, you've got to be ahead of the game like never before.



On some fronts at least things are beginning to calm down. Less excitement perhaps, but that could be a good thing!

Even at the bottom of the market, some people were making money. Not many, and maybe not much. But opportunities are there, if you know where to look.

And even if you're not going to risk a slice of your capital right now, there's still the need to be well-informed. Without the right

Smarter than the average bear.

It must make sense to keep in touch. Stay in the picture.

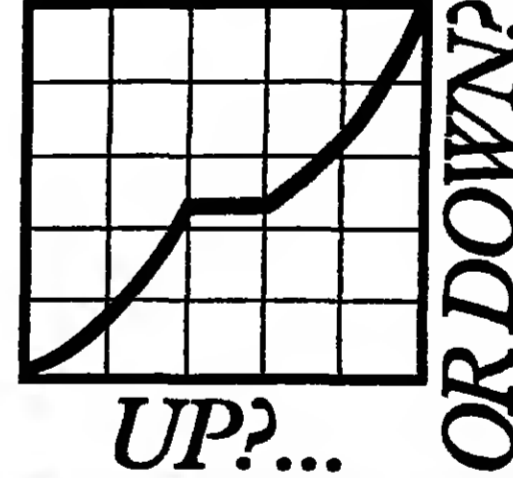
*Investors Chronicle* is still the most comprehensive update on every aspect of the stockmarket - dedicated to keeping you posted on all the news you need to help you get it right.

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# INVESTORS CHRONICLE

The ins and outs  
of the  
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SECTION II

FINANCIAL TIMES SURVEY



The proportion of executive cars made in Europe is nearing one in four of total production, boosted by the volume companies. Japanese makers are becoming serious contenders in the sector as their general move upmarket achieves success. John Griffiths reports.

Big efforts to compete

BY 1990, according to forecasts by the DRI Europe consultancy group, every fourth car coming off Western Europe's production lines will be of the "executive" class.

This compares with less than one in five at the end of the 1970s, in the immediate aftermath of the two oil crises.

In general terms, the growth reflects the sustained increase in affluence of the developed world's economies since the early 1980s. But it has also been given a substantial boost by the activities of the volume car manufacturers.

Unlike the "specialist" executive car makers such as BMW or Mercedes, at the end of the 1970s volume car producers had the option of, and were much more interested in, investing in smaller, more fuel-efficient cars than in large ones.

As the volume producers' then-existing entrants in the executive sector - such as Ford's "old" Granada - aged, so sales fell of both their cars and the executive sector overall.

What no one was really quite sure of, at least for some time, was whether the executive mar-

ket was undergoing permanent shrinkage because of oil uncertainties and other wider economic factors - or simply because of a lack of attractive vehicles.

In the last three to four years, the answer has been plain to see as Ford, Opel, Renault and other big makers have belatedly brought new executive cars into production.

The advent of the Renault 25 has lifted the French company's executive car output from 53,000 vehicles in 1983 to an expected 130,000 this year.

Fiat's output in the sector, a mere 17,000 units in 1984, hit 145,000 units last year thanks to its new Croma and Lancia Thema. With the new Alfa Romeo 164 sports saloon starting to become available in markets outside Italy, DRI sees total output of Fiat group executive cars reaching 160,000 units this year.

There are several other notable examples. Annual production of executive cars under General Motors' Opel and Vauxhall badges in Europe has virtually doubled, from 107,000 units in 1983 to 200,000 following the introduction of the new Opel Omega/Vauxhall Carlton range.

Ford Europe's Granada/Scorpio range has lifted Ford's executive car output from 63,000 in 1984 to about 100,000 last year. Meanwhile Peugeot, once the dominant force in European executive car output, is forecast by DRI to more than double its output in the sector when the long-awaited 605 model makes its debut, possibly at the end of this year.

Executive cars have provided good business for their manufacturers. For a start, they carry a high price. The starting point for an executive car in the UK now is at least £11,000, according to Mr Hans Tauscher, Mercedes-Benz UK's managing director. And there is clearly the potential for high profit per unit.

The trouble is, there is hardly a manufacturer in the non-Communist world that has not jumped, or is not trying to jump, on the bandwagon. They include even Hyundai of South Korea, which plans to launch a full-sized executive model well before the end of the decade.

By far the biggest, and for Western producers most threatening, push is coming from Japan. Shortly, both Toyota with

its Lexus models and Nissan under an Infiniti badge will be launching large, lavishly-equipped cars with V8 and V6 engines intended to confront head-on the very best and most expensive cars that Western Europe or North America can produce.

They will be joining Honda, which pioneered a separate name and distribution network - Acura - for the first of its intended BMW and Mercedes-"hashers", the Legend.

Honda, which so far has used the Acura name only in North America, caused something of a stir at the UK Motor Show last October when it unveiled its Legend coupe - and stressed, rather than tried to play down, the fact that the car would cost £24,000. This made it by far the most expensive Japanese car launched in Europe.

It also served notice that, from now on, no sector of the car market - no matter how rarified or currently dominated by European producers - would be exempt from the Japanese motor industry's attentions.

The Japanese trend to moving their car production up-market is

now firmly established, and is already having marked success. It contributes to the achieving of the twin goals of diluting protectionist concern in the West by keeping export units numbers down, while at the same time maximising per-unit profitability.

By using "transplant" production - such as Nissan's in North East England - to cater to volume markets they can thus continue to make net market gains.

Empirical evidence can be seen in last year's US-Japan balance of trade in cars. The US deficit rose by \$21.1m to \$2.12bn, despite a 203,000 drop in unit exports.

Part of the explanation, obviously, concerns the stronger yen - but a 28 per cent rise in large car shipments also played no small part.

No less telling is the changing nature, even within the past 12 months, of the debate about the technical and engineering merits, or otherwise, of Japanese executive and sporting cars vis-a-vis their as yet still more prestigious European counterparts.

Five years ago, by common consensus, Japanese manufacturers were still finding it very hard to build cheap volume cars with

ride and handling even remotely comparable to best European practice.

In the past 12 months the debate has focussed much more on whether the innovations the Japanese have been introducing ahead of everyone else, such as four-wheel steering, can be justified on cost grounds, and anxious discussions about precisely how soon some of the dazzling display of concept cars unveiled in Tokyo last autumn might be translated into commercial reality.

Only two months ago, at the Turin Show, one of the small straws in the wind that some industry observers found alarming was the almost total absence of the usual large numbers of camera-toting Japanese.

Turin is the main showcase of the still world-renowned Italian design houses such as Ital Design, whose concepts in the past have been photographed and pored over in the minutest detail by "observers" for the Japanese manufacturers. Was this an indication, some Western observers couldn't help wondering, that the Japanese were starting to feel they had not too much left to learn from Europe?

Inevitably, these developments have served to tighten the competitive screw on the more specialised executive and luxury car producers. Mr Tauscher, for one, rejects all notions that the specialist companies were able to reap large financial benefits from that period in the early to mid-1980s when competition from the volume manufacturers was very weak.

"This is very far from the truth. The pressures on the specialist car manufacturer are different, but they are equally severe. He has either to produce something very special at almost unrealistically small volumes and still make a profit.

Or, if he produces in numbers in the executive car market, he has to constantly push forward the borders of automotive technology and create state-of-the-art products."

It is for precisely that reason, he suggests, that Daimler-Benz itself has been allocating 4 per cent of its turnover to research and development, which translates into spending of £1m a day on product development alone if trucks are included.

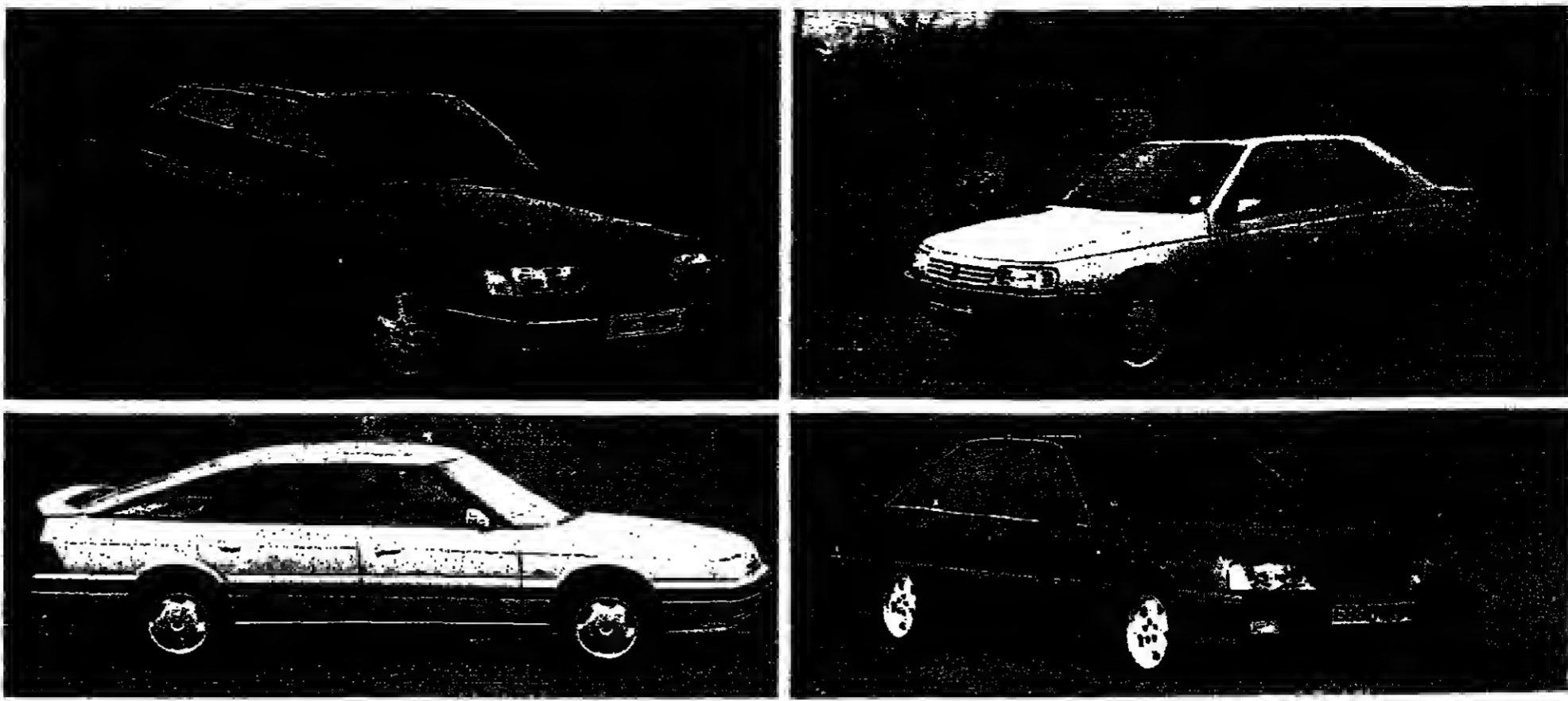
The company also employs

11,000 scientists, engineers and designers, and has acquired the electrical engineering, electronics and aerospace groups AEG, Dornier and MTU to broaden both its technology and product base.

At least until last year, the European specialist car makers had beaten off most challenges remarkably well - with some partial exceptions such as Porsche, the luxury sports car maker, which has cut output by nearly 30 per cent and seen its profitability sharply reduced.

Success had been particularly notable in the US market, by far the world's largest for executive and luxury cars. Volvo of Sweden, for example, has exported more than 100,000 of its large 700 and 200 series cars in each of the past four years, with Mercedes, BMW, Saab and Jaguar all making consistent and substantial sales gains, at least until last year.

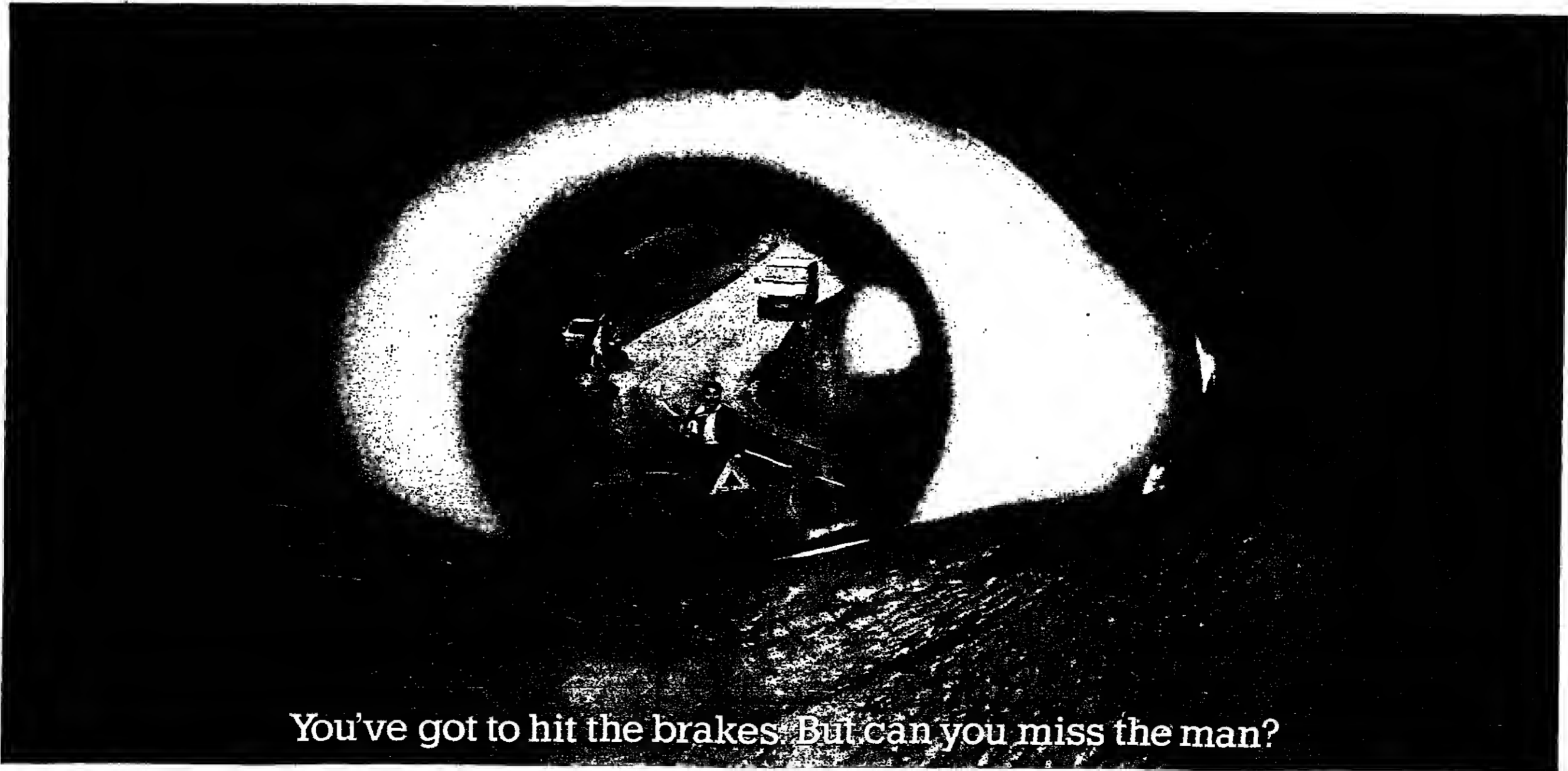
It is the US market, however, which is now creating increasingly severe problems for the specialists. The collapse of the dollar against the Deutschmark and sterling in particular last year



Executive cars, neglected by volume manufacturers in the early 1980s, are big business again. The UK Rover Group's Vitesse (bottom left) launched last month is the latest arrival in a sector which also includes the Opel Omega/Vauxhall Carlton (above), Ford Scorpio/Granada (top left) and Peugeot's 135mph M16 version of its 405 saloon.

Executive Cars

Continued on page 3



You've got to hit the brakes. But can you miss the man?

You're looking at one of those freak situations.

A wet evening, a down hill corner, a car with a puncture, a man in the road, an on-coming vehicle...

None would be a problem by itself. But, all together, they'd test the skill of even the safest driver.

If you brake too hard, you could lock

the wheels and skid into the man.

But if you don't brake hard enough, you could run into the back of the stationary car.

Such a situation may only arise once in a hundred thousand miles. But if it ever does, you'll bless the day you bought a Ford Granada.

Because anti-lock brakes are standard

equipment on every Granada in the range.

Faced with circumstances like these, the system is designed to stop the wheels from locking so, provided you're going from a sensible speed, you should be able to brake firmly, steer safely round the man and stop without drama.

In plenty of time to let the on-coming vehicle pass.

Of course, its brakes are only one reason for buying this sophisticated car. But you may think the security they give you is the only reason you need.

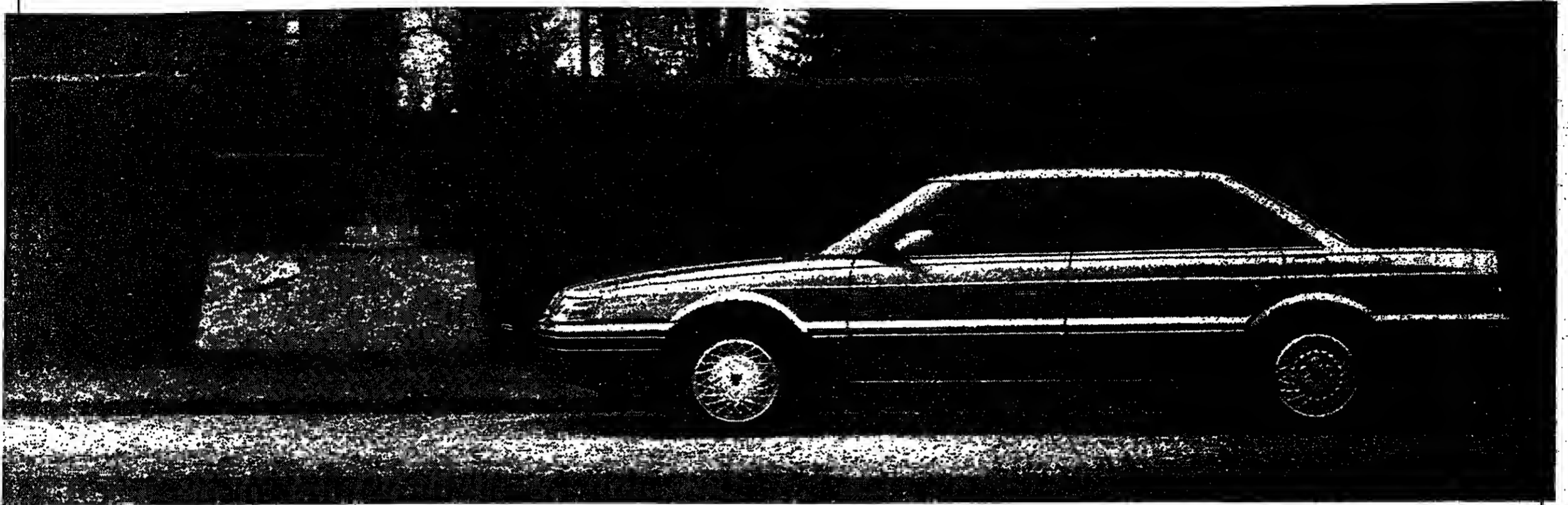
For, however safely you may drive, there's always the other guy.

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The gracious lines and sleek good looks of the Rover 800 have already raised many an admiring eyebrow.

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Well now, to turn heads still further, the Sterling comes with another powerful asset. An all-new 24 valve, 2.7 litre V6 power unit. It's not only very powerful, it also thinks rather fast. The brain behind the 177 PS engine being a computer-controlled, electronic engine management system.

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*Dynamic sports mode or effortless motorway cruising.  
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This results in beautifully smooth acceleration, whether you're powering away from standstill or enjoying the sprightly and most satisfying performance in the mid-range.

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The seven model Rover 800 series. From under £13,000 to under £22,000! Who said beauty was only skin deep?



**ROVER 800 SERIES**

**EXECUTIVE CARS 3**

US manufacturers are uncertain but have raised their forecasts

# More buying luxury cars

ENCOURAGED BY brightening economic prospects, more buyers have been returning to the US luxury car market in recent months. Manufacturers still caution they will sell somewhat fewer cars this year than last, have begun, though, to raise their forecasts a notch.

Negative factors that piled up at the beginning of the model year last autumn now look far less menacing. Fears that the October stock market crash would trigger a recession have largely receded and some of the sting of the depreciated dollar, critical to importers' US pricing, has begun to ease.

Taking the broadest definition of the market, J.D. Power & Associates, the automotive consultants, is forecasting luxury car sales of 3m this year, equal to roughly 10 per cent of the total US car market. Such a level would be virtually flat compared with 1987 and levels of 1.1m in 1986 and 1985.

The good news for foreign manufacturers is that as a group they are taking a larger share of the market, rising from 21.9 per cent in 1985 to a forecast 31.6 per cent this year.

The reality though is that despite the sales pick-up, foreign manufacturers are bracing themselves for even more intense competition as more makers offering a widening range of cars crowd into the market. From some 40 models five years ago, the market now boasts more than 60.

At the lower end of imported luxury cars, around \$30,000, the big battle will be between Honda, Nissan and Toyota. The first to set up a new brand of up-market cars was Honda which introduced its Acura range in the spring of 1986. The other two will try to emulate its success by introducing their own luxury marques, Infiniti and Lexus respectively, over the next 18 months.

One of the keys to Acura's success has been its dealer network. Honda has drawn primarily on its existing dealers requiring those selected to make substantial investments in the new franchise. The number of Acura dealers has grown from 60 in March, 1986, to about 250 now.

Being new to the market they offer a level of unburied, personal service which potential buyers, many new to the luxury market, find welcome after the

mass merchandising of many down-market dealers.

While many other manufacturers have struggled to maintain their sales levels in a flat market against more competitors, Acura is well on track for selling 140,000 to 150,000 cars this year compared with 109,500 in 1987, its first full year. In volume terms it has shot ahead of established importers such as Mercedes-Benz which sold a record 99,000 cars in 1988.

Acura believes it is developing an essentially new, and potentially large, market segment. Although it is winning some sales from the bottom end of Mercedes, BMW, Audi and other ranges, it is targeting buyers who are moving up market from luxury Detroit cars or cheaper imports.

"As long as Honda can cope with the high yen, the Acura will be increasingly the affordable alternative to European cars made expensive by currency factors. Currently, the most expensive model of Legend at the top of its range sells for just under \$30,000.

Another key to Honda's success has been the development of a distinctive image for the Acura which breaks away from the utilitarian and down-market stereotype of Japanese cars. Nissan and Toyota will have to spend heavily on advertising to achieve the same effect with the disadvantage of being later entrants.

To make life even harder, it looks as though they are aiming even further up market than Acura, which will mean a far bigger leap for their present customers.

The importance of image has been borne out by Austin Rover's difficulties to date in the US with its Sterling. The car, which is essentially the top-of-the-line Rover 800 series from the UK, was praised by both motoring press and public at its launch in early 1987.

It is often considered superior in looks, features, price and performance to the Acura Legend with which it shares Honda

mechanical components. Yet the failure to establish a clear identity is the main reason why its sales last year were one third those of the Legends and are falling this year while the Legends' are rising.

Detroit is absent from the plushest echelons of the luxury car market with the exception of General Motors' Cadillac Atlanta sports car. It is an anomaly, however, in that it was designed and partly manufactured by Pininfarina in Italy and costs, depending on options, about \$55,000. Sales have been slow, however.

In numerical terms though, the broadly-defined luxury market is dominated by domestically-made cars which offer only a moderate step up in terms of engineering,

refinement and price from Detroit's other full-sized cars.

Ford Motor has produced the biggest recent change for Detroit in style and engineering with the latest incarnation of its Lincoln Continental. Selling at about \$26,000, the front-wheel drive car offers computer-controlled suspension, anti-lock brakes and speed-sensitive power steering.

The fact it is billed as a car which feels and looks European is the surest sign that the Germans in particular set taste and standards in the US market. In fact though, the car's heritage is still more Detroit than Munich or Stuttgart.

The top end, setting aside exotic sports cars and specialist saloons such as Rolls-Royce, will see a wheel-to-wheel race between Mercedes-Benz and BMW now the latter has truly competitive products in its new 735 and 750 cars.

BMW has suffered a 18.5 per cent decline in unit sales so far this year compared with last, a fall typical of European importers as a whole. In addition to the economic conditions earlier in the year, it also blames tax reforms in 1985 which made it far more expensive for businesses to own and run cars and the phase-out of its old 5 series cars.

But most importantly "we have confused the consumer on values

by introducing a lot of new, more expensive models and increasing prices because of the Deutsche-mark's appreciation," a senior executive says. The price increases vary widely but on a \$25 two-door, for example, they add up to 24 per cent since late 1985.

"We're very confident that at some point soon currencies and prices will stabilise."

BMW's long-term strategy of moving into higher-priced and quality cars is proving one way to offset the currency disadvantages. To meet higher demand expectations in coming years it is part way through a \$100m investment programme in new US facilities.

The shocks of tax reform and currencies are beginning to wear off. New models such as the 735 and 750 are selling well and it has high hopes for the new 5 series arriving later in the year. Overall it expects sales in the low 80,000s this year compared with 87,000 last year and a record 98,000 in 1986 which was boosted by a rash of sales to beat tax changes.

Mercedes-Benz's sales are down about 5 per cent so far this year from last, says Mr Hans Jordan, its vice-president of marketing in the US. The company's price increases have totalled about 30 to 35 per cent over the past two years but Mr Jordan says he is "detecting a level of acceptance" among customers.

Most importers have been offering financial incentives to dealers as a way of stimulating sluggish sales. Mercedes-Benz says it never actually cuts car prices or offers rebates to customers because "that would be inconsistent with our image."

It has, however, initiated a programme this year through Mercedes-Benz Credit Corp. to enable dealers to offer attractive leasing terms to customers. The service, which has proved particularly appealing to buyers of its cheapest cars who typically stretch their finances to become Mercedes-Benz owners, has been widely copied by other manufacturers.

Overall, "the market is doing better than forecasted earlier considering all the impediments," Mr Jordan says. "Time heals all wounds" and customers are beginning to adjust to tax reform, currency rates and the general economic outlook.

Roderick Oram



Village development at Naperville, Illinois. US executives prefer to buy their own cars

## Fleet cars stay at office

INVENTED SNOBBERY is almost as big a factor as tax legislation in the US executive car market. Both militate against the use of company cars as executive perks.

For an American executive, having a company car for personal use confers virtually no tax advantages. It also carries a certain stigma of association with the lower level travelling salesman who are the mainstay of the huge US fleet car business.

To make matters worse, the few large companies which do provide senior executives with cars mostly stipulate traditional and modest-looking vehicles. In these days of corporate raiding, wage givebacks on the shop-floors, and universal emulation of low-key Japanese management styles, ostentatious behaviour by

senior executives is definitely out of style - especially when it is the company that pays.

There have been few complaints from senior employees about the new fashion for austerity. It has, after all, coincided with a period of unprecedented pay inflation in the executive suites, to say nothing of the biggest tax cuts in history for the higher-paid.

That tax cut, which was the centrepiece of the 1986 tax reform, also did away with any vestige of fiscal advantages in company car ownership. Employees who enjoy any personal use whatsoever from their company-owned cars are in theory fully liable for the cost of the vehicles.

On top of the full tax cost borne by employee users, the abolition of accelerated depreciation rules has made the actual ownership of the car more costly for his company.

This has not prevented some small and private companies from continuing to buy cars for their directors. But in most large American corporations, the company car is now essentially a vehicle kept in the company garage and taken out only for clearly-defined business purposes during the working week.

And even among the small number of such truly business cars, discretion is now the watchword. Obviously, a few stretched limousines are *de rigueur* for

shuttling groups of executives and clients to and from airports or for occasional on-the-road meetings. But most of the cars used for corporate transport are traditional large US sedans, with some companies pointedly eschewing the top of the range brand names such as Cadillac and Lincoln.

For example, Sears Roebuck, the nation's biggest retailer, based in Chicago, says that it has a fleet of company cars, with drivers, for the use of its corporate officers. The cars are "businesslike and in no way opulent." The company uses several US marques, but has one prohibition - "no Caddys."

American Telephone & Telegraph makes the same point. It has a small fleet of Buicks, Chryslers, Oldsmobiles and a few Cadillac Sevilles for the use of about 100 executives. But these are *definitely not meant to convey an image of excessive luxury.*

"AT&T is less than enthusiastic about any show of extravagance by managers," the company says.

On the West Coast, Bank of America similarly confines itself to middle-range cars such as Plymouths and Fords. Part of its fleet runs on alcohol, dating back to the energy crisis and the B of A garage is one of the few places left in the US which has its own methanol tanks.

Not surprisingly, the bank,

which has been struggling for five years to work its way out of record loan losses, joins in the austerity refrain - "not showy is what goes in Californian business these days."

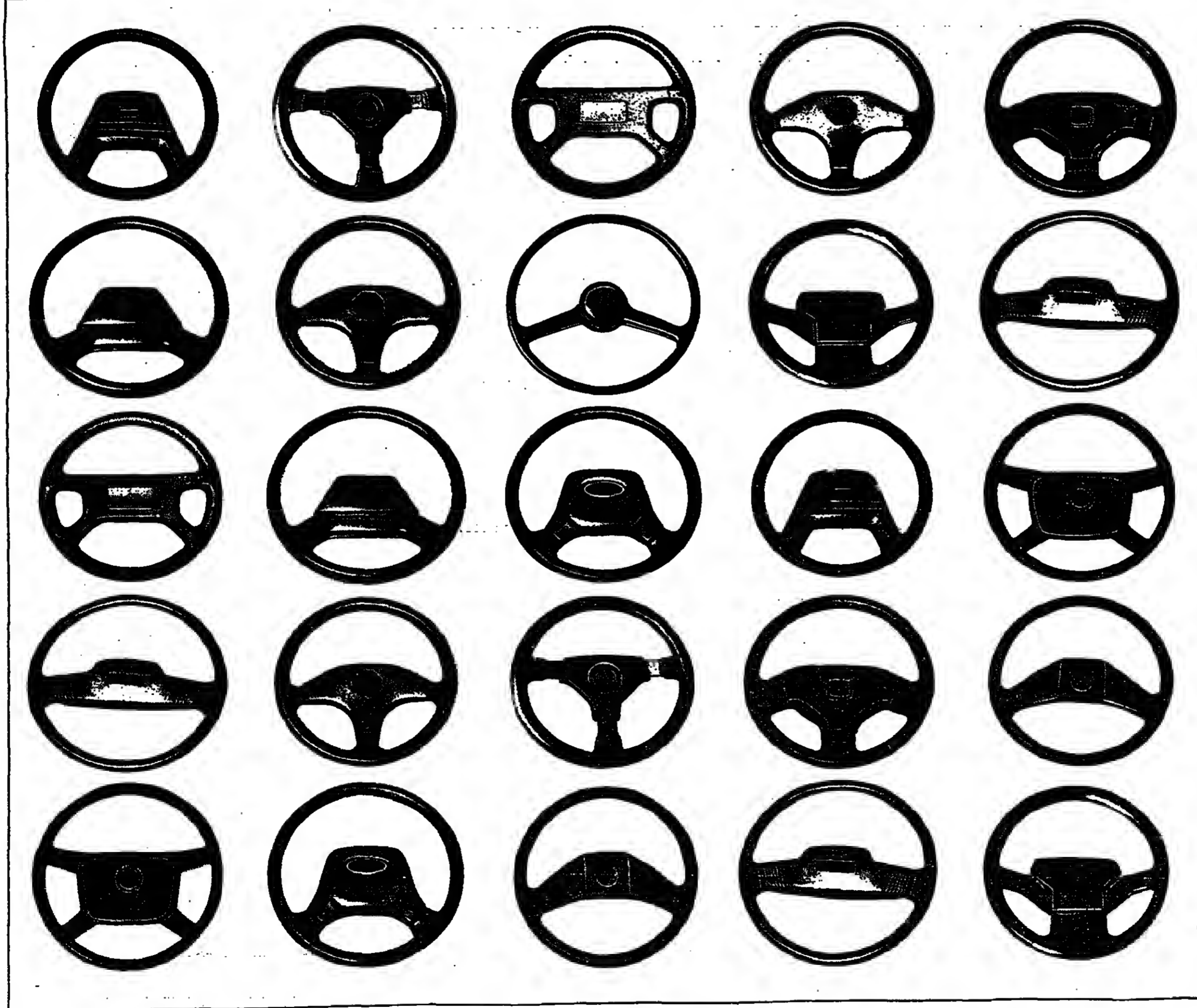
But if employers try so hard to impose a puritanical decorum upon their senior employees in working hours, how is it that America has the largest, most varied and still probably the most profitable, luxury car market in the world?

This paradox is much more apparent than real. The very fact that cars have become so unusual as executive perks, has made the luxury market more open and profitable than in a country like Britain, where it is dominated by the fleet buyer.

In America, the senior executive earns far more in cash and pays far less in income taxes than would his counterpart in almost any other country. He then goes out and spends that money on the car of his choice with no arbitrary restrictions on price, marque, country of origin or specifications.

And while his company may be projecting an image of business-like austerity, in his private life he can be as ostentatious as the likes.

Anatole Kalotzky  
Carolyn Valdez



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EXECUTIVE CARS 4

The image of technical superiority continues to dominate Europe

German makers win on quality

EXTENSIVE wind tunnel testing eliminated the rough edges from West Germany's executive cars years ago. And the engineers at Mercedes-Benz and BMW put a lot of time and effort, plus a few billion Deutschmarks, into refining the parts you don't see to win customers and influence the market.



The Audi 90 2.2E

The emphasis on high-priced highly-engineered cars has made West German car companies world leaders in the executive car class. But with Mercedes producing about 800,000 cars annually, and BMW another 400,000, both obviously aim at a bigger market than just government ministries and board room executives.

Executive cars are especially important in Europe where tax laws make them "the single most tax-effective form of compensation," says Mr Paul Curley, general manager of ECS, a Wyatt Company consulting group in Brussels.

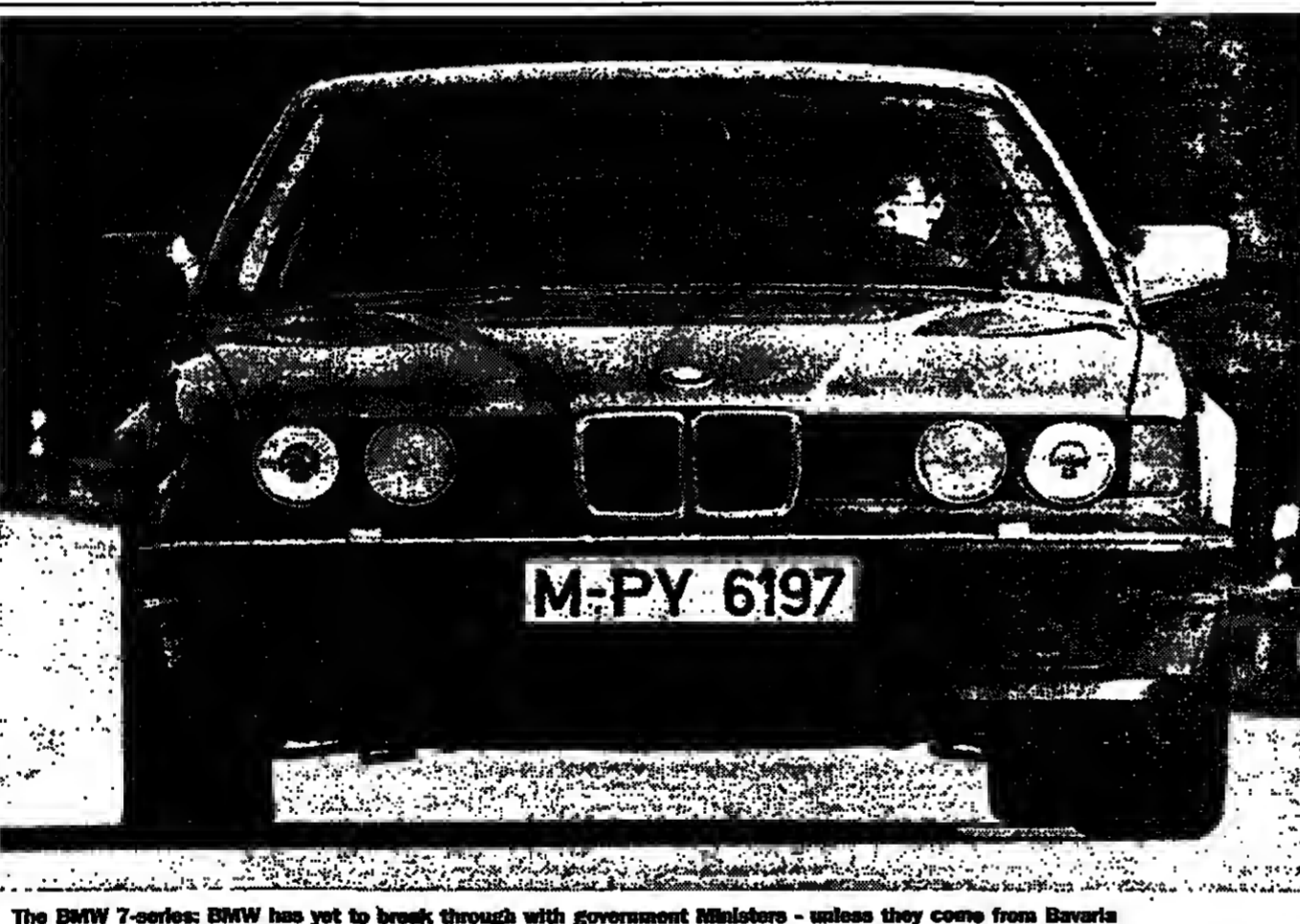
cars in West Germany this year, about the same as in 1987. But in the first four months of 1988, sales were up 24 per cent compared to the same period last year.

There is even a place for Jaguar, he admits. Some German customers "like a lot of wood and the Old England tradition. Plus Jaguar has made tremendous strides in quality improvement."

Driving far at high speeds

NO ONE DOUBTS that Mercedes knows how to build quality cars. But a perhaps legendary tale links at least part of the Stuttgart company's success to Chancellor Adenauer's hat.

It seems that just when the first cabinet of the new Federal Republic of Germany was to decide which car should serve as their official transport, Konrad Adenauer discovered that he could get into a Mercedes without taking off his hat.



The BMW 7-series: BMW has yet to break through with government Ministers - unless they come from Bavaria

of its new 7-series cars are former Daimler-Benz customers. Independent businessman Helmo Kramer knows some of his executive friends have made the switch and now swear by their new BMWs.

Schmidt or Mueller down the block are also driving Stockbrokers and private consultants may prefer something out of the ordinary, like a Porsche 911 Turbo.

V8 engine for a luxury sedan this year. The mass market carmakers face difficulties in Germany because executives at their top models are on a par with Mercedes or BMW.

LOOKING FOR AN EXECUTIVE CAR? An unrivalled selection of quality new and used cars appears every Wednesday in Motor Magazine's classified pages. So if you are looking for that special car, look in Motor. THE UK'S PREMIER MARKET PLACE FOR SPECIAL CARS

The UK

Very healthy market

THE UK'S State-owned Rover Group could hardly have had a healthier market into which to launch its latest executive car, the 800 Fastback, last month.

Imparticular of cars such as the Volkswagen Golf GTI which in 14-valve form, for example, costs substantially more than even L versions of the Ford Granada and similar executive cars.

But the situation is expected to change markedly over the next year as higher specification versions of its already successful new 405 medium range car go on sale, followed by an all-new executive saloon, the 505, reinstated for possible unveiling at this autumn's Paris show.

DR's definition of what constitutes an executive car is fairly wide, for it includes not just luxury cars such as Rolls-Royces and Bentleys, but also sports and sporting cars such as Lotus models and even Toyota's mid-engined two-seater, the MR 2.

In an effort to limit the damage and fight off the imminent challenge from its private rival, Renault has just completed an extensive facelift of the R25 which has given the model a new front bonnet and other improvements.

Peugeot, which had long dominated the upper end of the French car market, was overtaken by Renault, which had concentrated largely on lower-volume, low-cost smaller cars - when the state group took the bold decision to enter the upper end of the market with its R25 four years ago.

France

Rivalry at home



Peugeot's 505 V6: seeking the lead

Peugeot's 505 V6: seeking the lead. In an effort to limit the damage and fight off the imminent challenge from its private rival, Renault has just completed an extensive facelift of the R25 which has given the model a new front bonnet and other improvements.

The success of the R25, which was pitched against not only the Peugeot 505 and the Citroen CX but also against foreign imports such as BMW, Mercedes-Benz and Lancia, surprised even Renault.

The private group expects to increase its market share significantly

Dennis Phillips

Paul Betts



EXECUTIVE CARS 6

Japan: imports from Europe have stimulated a taste for luxury

# Up-market models carry wealth of new gadgets

SALES OF up-market cars are booming in Japan. Where once the Japanese bought small, boxy, economical cars, they are now rushing for the most expensive ones.

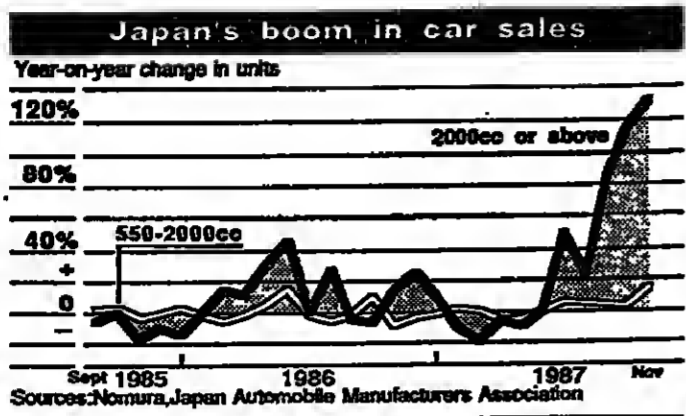
Indeed, most of Japan's classic executive cars are now no longer what they used to be. All the leading automakers have been updating and improving their executive cars, with re-launches of old models and announcements of new models taking place almost monthly in Japan.

This massive re-design was long overdue. As larger cars are tried more heavily than smaller ones in Japan, most businessmen had been reluctant to trade-up to the more expensive cars. "It wasn't worth it, they were a little frustrated, because the more expensive cars used to look just like the cheaper ones, only bigger," says a Nissan official.

All that has changed now and customers are gratefully snapping up the bigger Japanese cars. Sales of Toyota's re-launched Crown, now nearly as wide as the Mercedes-Benz 300E, were so good in January that the up-market car outsold every other car on the market that month.

The move to luxury has been spurred, in large part, by Japan's growing taste for imported cars, primarily from Europe. In 1987, sales of imported cars jumped by 43 per cent to nearly 100,000 units, with sales of Mercedes-Benz and BMW cars up by 36 to 38 per cent. Overall, sales of cars with engines exceeding 2000cc have been booming in Japan.

The newly-introduced models, such as Toyota's Corolla and Crown, Nissan's Cedric and Elanza, Honda's Civic and Prelude, Mazda's Capella and Mitsubishi's Galant and Mirage, are all the



top-selling models for each of the companies, according to Nomura Securities.

Of these, Nissan's Cedric (Cima) and Toyota's new Crown, have made the biggest splash. Nissan has needed the Cima more than perhaps any other company. Toyota, with close to 50 per cent share of the domestic market, has been selling confidently through the era of the high yen, thanks in large part to the strength of its domestic dealership network.

Nissan, however, with most of its domestic dealers in losses and its overall earnings going sideways, has needed a big winner badly. The Cima, with its entirely new, rounded body design, its ceramic turbo-charged 3-litre V6 engine, is proving to be that winner.

Originally targeted to sell about 3,000 units a month, the Cima hit 5,300 units in February and notched up 6,500 sales in March.

tional aid is based on 1800 maps of Japan, down to street level. It uses magnetic fields and acts as a compass, helping to advise the driver which way to turn in Japan's complicated road systems.

The navigational system costs ¥250,000 and "is not perfect by any means," according to Toyota. Nonetheless, 60 per cent of the best-selling model of the Crown, the Royal Saloon-G, are bought with this option. Toyota explains that the navigational system can fall when the car goes under a metal bridge or railroad tracks, as this acquires magnetism the entire car.

The navigational aid is the most glamorous part of Toyota's multi-view system for the Crown. Basically, the multi-view system allows the driver to watch 8mm videos, watch television or listen to the radio at the touch of a button.

To prevent accidents, the television/video system automatically shuts off when the car is put into gear to be driven. This immediately prompts the question of what is the point of having such a system in the front seat. To this, Toyota explains that it can be "enjoyed" during traffic jams, or when the driver is parked, waiting to pick someone up.

Following the Crown, Toyota is planning to launch a new 4000cc car, Lexus, in the US next year. The company has yet to decide whether the new luxury car will be available in Japan, but given the strong demand for upmarket executive cars, it can only be a matter of time before Toyota sells its latest luxury product in the expanding home market.

In the more exotic extras category Toyota has come up with what it claims is the world's first navigational system, which it is offering on its upmarket Crown. Using a compact disc read-only memory system, this navigational

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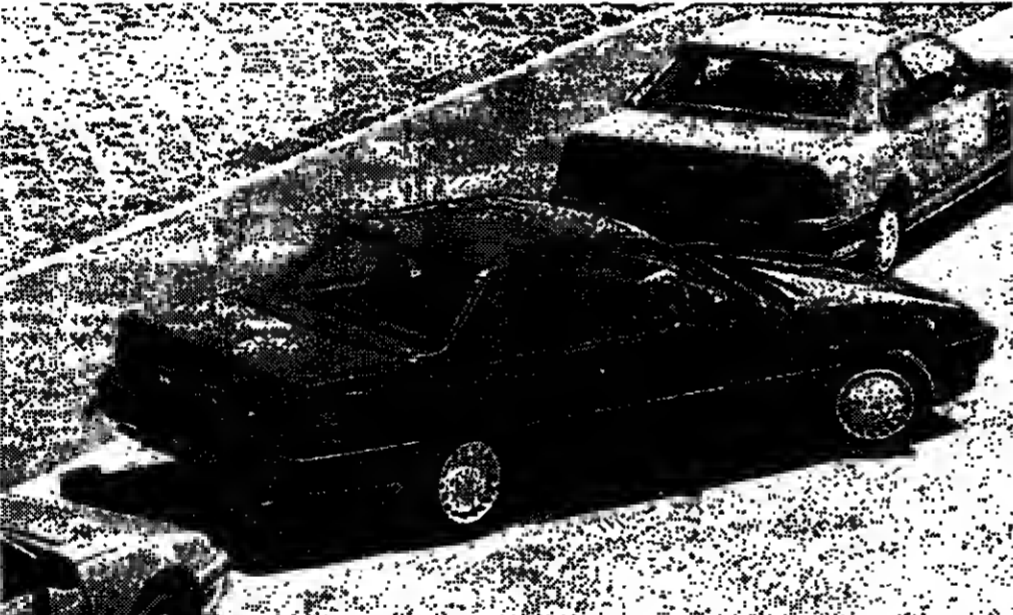
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Carla Rapoport



Honda Prelude: easy parking with four-wheel steering

my daughter drives a Toyota Celica.

"What I would say is this: if someone wants to sell cars to the Japanese, they should study the conditions in Japan, the regulations, the climate, and so on, and think of ways so that Japanese can drive the car comfortably, otherwise foreign cars will not sell in Japan."

Despite the problems encountered by Mr Tsuchiya, imports of foreign cars into Japan have boomed over the past two years, as the rise of the yen has made imports far cheaper.

But that is only a part of the reason: changing tastes and lifestyles have helped to expand the market.

"In Japan," says Mr Luder Payson, president of BMW Japan, "there has been a clear-cut change in the social environment. In the past, it was a very homogeneous society but now it is becoming more diffuse."

This is particularly true of younger people, according to P.J. Woods of Austin Rover Japan. "There is a trend among the population to look for European products as having a big cachet, as being authentic, with centuries of history."

But turning that interest into real demand for imported cars is the challenge, and recent developments in the domestic car market may restrain the absolute growth of foreign imports into

Japan for a time.

In calendar 1987, imported cars rose 40 per cent to 97,500 units. This year, most importers expect it to rise by a further 35 per cent to 13,000 units. The common belief among the importers is that growth will continue at around 30 per cent a year until the level of total imports reaches 300,000 units annually, which is expected in the first half of the 1990s.

That may prove optimistic, however. Hit by the ravages of the yen on their own car exports, the big domestic carmakers have gone aggressively upscale. Nissan was the first to pitch to the emerging demand for larger cars with its new Cima model, launched earlier this year.

"For the past two years or so," says Mr Payson, "our competition in this market is small imports. Always imports held a 20 to 30 per cent share of the over two litres car market. But now, we must compete directly with Toyota and Nissan."

"There is a surging trend for upmarket cars at the moment. The Nissan Cima is selling 4,000 units a month, and Toyota the same."

The sudden popularity of large cars runs counter to the long dominant trend in the Japanese market for smaller cars. Larger cars were seen as gas guzzlers, and were bought almost solely by

yakusa (gangsters). But with the car manufacturers honing their skills on the large car market domestically, they are preparing for an onslaught on the big car market worldwide.

"The Japanese makers recognise that they cannot sell more cars in the US and continue to profit in that market. So they have initiated a strategy worldwide of making upmarket cars, and they have initiated it first in their home market before taking it overseas."

Now, with Japanese makers moving further into this (2 litres and above) sector, it has broadened the entire market.

Nissan's three litre Cima was launched in January this year. It retails for over ¥4m, more than double the price of a normal compact in Japan. The top model goes for slightly more than ¥5m. The targeted market is small business owners - the same market targeted by foreign car makers.

Despite the much keener competition that has resulted following the entry of Japanese car makers into this sector, importers of foreign cars argue that by launching such upscale models, they have broken the barrier that has limited expansion of the big car market in Japan.

"European makers used to make a big fuss about the higher taxes on cars of more than two litres," says Mr Wood. "But the big effect is psychological. With Toyota launching the new Crown, and Nissan the Cima, this has resulted in a massive increase in demand for large cars."

Mr Payson says: "Seventy per cent of our cars are company cars. Our clients include doctors, dentists and other professionals, and we have enlarged from this to include owners of small-sized businesses, and Japanese yuppie."

With foreign groups facing stiffer competition from domestic makers, they are now targeting the corporate car market to try to consolidate their position in the domestic market.

Italy: new designs have become popular with business users

# Powerful marketing elbows foreigners out of the lead

THE AUDIENCE at the annual assembly of Confindustria, Italy's top business organisation, is as comprehensively star-studded as any Oscars night in Hollywood.

The cast, of course is different, but anybody who is anybody in the world of Italian business and government troops out to EUR - the satellite town outside Rome planned on a suitably grandiose scale by Mussolini's architects - to hear the Confindustria president deliver business' view on the state of the nation.

The occasion offers a unique opportunity to study preferences in what the Italians call *auto blu* - the cars which are chosen as much for their value as representational symbols as for efficiency and comfort.

Outside the Confindustria building in Viale Turpin, shining ranks of expensive machinery are double and triple parked, with cigarette-smoking drivers either jumping proprietorially against their charges or - an increasing phenomenon this - sunk deeply into the backseat conducting absorbed conversations on the radio telephone.

During the last few years, the physiognomy of these cars has changed substantially. An observer in Viale Turpin in 1984 would probably have noted that a majority of the vehicles transacting private-sector businessmen to EUR would have been imports.

Among these, the strongest probability was that they would have been BMWs or Mercedes. In that year alone, these two marques captured just over 40 per cent of the market.

The Italian share of sector E - in which the majority of executive cars are concentrated - was fractionally over 37 per cent of which 24 per cent was Alfa Romeo. The absence of strong contenders from the Fiat-Lancia stables kept their contributions down to 13.7 per cent.

Anyone wanting to take a realistic picture of Italian business would have noted that segment E amounted to 90,255 vehicles or 5.51 per cent of that year's total market.

The same observer at this year's Confindustria gathering in late May could not fail to remark a major change in the names of vehicle badges. To start with, a significant majority were Italian, reflecting the fact that Fiat Lancia and Alfa Romeo have taken



The Alfa Romeo 164, with which Fiat plans to revive Alfa

no less than 65.8 per cent of sector E sales in the first four months of the year.

Our observer would have had to search rather diligently for a BMW, the company now having to content itself with a comparatively modest 12.8 per cent. The proportion of Mercedes would be about the same, some being the 190 model which is taking 9.3 per cent of the market but rather more being larger 200 and 300 series which come from the higher-priced sector F (in which the German producer holds 44.7 per cent of all sales).

Other foreign presences would have been exceedingly modest, and substantially more so than they were in 1984. Renault for example, which captured 4.9 per cent of segment E four years ago, has slipped to 3.2 per cent in the first four months, Volvo from 5.94 to 2.6 per cent, and Peugeot from 1.9 per cent to 0.6 per cent.

Sector E of course does not give the full picture, since a number of higher-priced models are classified in sector F which last year accounted for 1.7 per cent of the total market or 32,795 cars. Here Volvo was particularly strong with close to one third of the market selling 10,361 of its 740 and 760 models.

The Swedish company was outsold only by Mercedes whose total of 200 and 300 series sales reached 12,015. Saab, Citroen and Maserati largely accounted for the remainder.

What has been happening in sector E is that although foreign manufacturers have updated their ranges and introduced new models they have been allowed out of the front ranks by new

sales and market share rose handsomely in 1985-86-87 from 22,450 units (2.4 per cent) to 40,715 (30.1 per cent), the figures for the first four months of this year suggest that the 164 is stealing sales off the Thema.

The 1988 figures show that the Lancia's share has fallen to 23.8 per cent while that of Alfa, which stood at a puny 6.3 per cent in 1987, have already climbed to 13.9 per cent.

This is something that Fiat was probably prepared for, although before the launch of the 164, Vittorio Ghidella, the managing director of Fiat Auto, was confidently maintaining in public that it would not happen. In fact, he took deliberate steps to try to avoid it.

After Fiat took over control of Alfa at the beginning of last year and Mr Ghidella took his first look at the 164, which was then in its late development phase, and concluded that it far too closely resembled the Thema in both attributes and price.

So he delayed its launch until the autumn so as to be able to make some important cosmetic changes which would more strongly differentiate the design from the Thema and justify charging a higher price than for the Lancia car.

The marketing concept has been to sell the Thema as a quality car of "class", the 164 as a quality luxury car with sporting characteristics, and the Thema as a no-frills price-for-performance bargain.

Fiat are unlikely to be too concerned at the Alfa propping somewhat at the expense of the Thema. It is a higher-priced product, is reducing Alfa's continuing operating losses and is still serving to expand the Turin group's share of the market.

Alfa-Lancia plans to sell the 164 into the rest of Europe from October and into the US from the second half of next year.

Although largely an inherited design, this model's success is crucial to Fiat's recovery plan for Alfa which involves selling 60,000 of its vehicles in the US by 1990-91. By then, the auto market will know how successfully Fiat has managed to produce its own designs for the Alfa badge to replace the existing 33 and 75 models.

# A love affair with the car

NO OTHER nation has such a passionate relationship with the car. Not only are seven out of the 25 current Formula One racing drivers Italian, but it seems as though inside every Italian is a racing driver waiting to be let loose.

Even Gianni Agnelli, president of Fiat, admits that he would like to go motor racing, but that in his position it would be "ridiculous" and "unsuitable."

Vittorio Ghidella, managing director of Fiat Auto, responsible for the highly successful Uno, the Thema and the recent Tipo, which has pushed Italian cars to the top of the European market, says that cars are like clothes to Italians - a way of expressing their personality.

When it comes to discussing company policy on executive cars however, Italians are extremely sensitive, preferring to talk about the Mafia or their mistress than their cars. An Italian manager knows he has made it when he gets an Alfa 164, a Lancia Thema or a Fiat Croma.

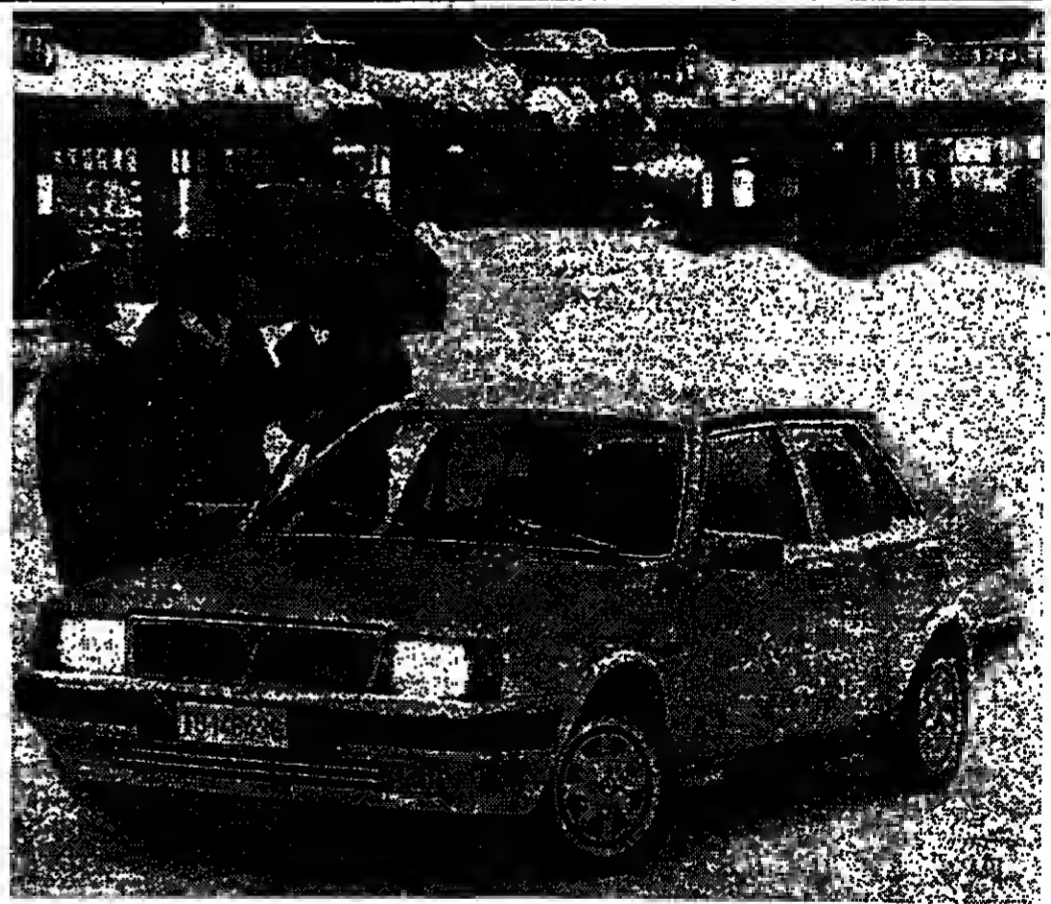
He is doing better if he has a car in the trunk of his car, or he is at the top of the entrance of a palazzo as Rome and Milan, where the central areas are closed to private traffic at certain hours of the day.

A partner at the Rome branch of the accountants Deloitte Haskins & Sells says that most executive cars are in the 1600 to 2000 cc range (all angling for the 2000 cc models), but rarely over. VAT rises sharply after that and the owner becomes subject to unwelcome interest from the tax authorities.

Most companies give Italian cars - for practical, not tax reasons - such as the Fiat Croma or the Lancia Thema. The Thema has become by far the most popular upper-middle range car, both among executives and in general.

It led the field for both foreign and home-produced cars last year, selling more than 40,000. Alfa had dropped out of the market until recently, due to the company's well-known problems while still under state control.

Now, under new ownership and following the launch of a highly-attractive new model, the Alfa



The Lancia Thema: first choice of many managing directors

164, it is becoming the managing director's first choice.

But the new Alfa is expensive and there is still a six months' delay in delivery, so it is still too early to tell how it will affect the market. Mr Leopoldo Firrelli, president of the tyre company, uses both an Alfa 164 and a Lancia Thema (with a Ferrari engine).

Mr Carlo De Benedetti, chairman of Olivetti, feels no particular loyalty to the Italian motor industry, and drives a black 16-valve Mercedes 190 or a BMW, depending on the weather, "as well as Italian cars," a spokesman adds hastily.

At Olivetti, only about 10 to 15 top executives are provided with cars, almost all Lancia Thema. As is common practice, users do not pay the road tax if the car is used only on company business, but make an agreed contribution towards it for weekend use.

Pirelli keeps a fleet of about ten cars, all Italian: Lancia Thema, Lancia Delta, Alfa 164S and Alfettas, for the use of senior executives. The president of the state conglomerate IRI, Prof. Romano Prodi, is driven in an Alfa 164 and the director-general in an Alfa 75. The spokesman claims that these are the only two with company cars.

The president and director-general of one of Italy's largest private banks, the San Paolo di Torino, are driven to and from

work in Lancia Themas (with telephones).

Cars provided for executives are company-owned; a convenient fringe benefit usually acquired under a leasing system. Road tax is calculated according to engine capacity, so that a 2-litre car pays 1,138,000 a year.

Diesel fuel costs about half as much as normal petrol, but the road tax is considerably heavier: a 2-litre turbo diesel engine car would pay 1,913,000 a year in the smaller car range, the Fiat Ritmo or the Volkswagen Golf, fuelled with normal petrol, would pay 1,450,000 a year and with diesel, 1,443,000, while a 2.2 litre turbo diesel car goes up to just under 1.5m.

Demand for diesel engines appears, nonetheless, quite strong, running at about 25 per cent of the total sale of the best-selling Fiat car, the Uno. Diesel fuel does provide more kilometres to the gallon, but to offset the higher road tax the user would have to do between 20,000 and 30,000 kilometres a year.

A firm of management consultants in Perugia, Jaso, claim they can pinpoint not only the position in the company hierarchy, but even the department of an executive, from the car he or she drives. They examined 70 companies, with an average turnover of 1,450bn and staff of more than 1,000, and reckon that staff on the

technical side favour Fiat (Regatta, Cronos). Executive personnel directors, managing directors and marketing executives favour Lancia Prisma and the Thema.

The sales side chooses the Lancia Prisma, Alfa 75 and the Fiat Croma, with a small percentage going for foreign cars such as the Opel Kadett and Ascona, the Golf and the Audi.

They calculate that Italian cars make up 75 per cent of the executive market. However, from a small private survey it emerges that while Italian executives claim they prefer Italian cars, they actually choose foreign ones when they are high enough up the company to do so.

Car telephones are a fairly new status symbol in Italy and a national network has not yet been completed. Liguria, Lombardy, Piedmont and the Veneto are the only regions fully covered (as well as major cities elsewhere). But if you see a driver telephoning down in the South, he may just be pretending on a phone that doesn't work.

These telephones certainly are proving useful, as an early leaver from a Confindustria annual review discovered. Walking out of the building, he found the chauffeurs of the ubiquitous dark blue ministerial cars all busily ringing home to get the pasta put on to boil.

Jennifer Grigg

# Snags with foreign cars

BUYING A CAR anywhere can be fraught with difficulties, as Yoshi Tsuchiya, president of Sanyo Securities, found when he decided to buy an imported car.

Illustrative of the way business is done in Japan, Sanyo Securities was an underwriter in a public offering by Jax Inc, a retailer of imported and used cars, which listed its securities on the OTC market.

After Sanyo Securities co-underwrote the share offering, Mr Tsuchiya decided to buy some Fiat cars, which are imported by Jax.

"With the high yen, foreign cars have become much cheaper," he says. "I bought three Fiats, one each for myself, my brother and my children."

"There are some things that I noticed after buying the car. In Japan, there is a classification of cars into large and small vehicles and so on; the licence and number plates are different, and tax and insurance is also different."

"Foreign car companies claim that it puts them at a disadvantage. With Fiat, with a small engine, and compact body size, because it is 6cm bigger than the average size of Japanese car, it is classified as a large car."

"Just because of the six centimetres extra width, the tax is higher and the insurance premium is higher. In some cases, driving on the expressway, you have to pay 50 per cent more toll."

"My impression is that it is very uneconomical. There were so many problems during the six months that I had to send it many times to the garage for repair, although it was a new car. For example, the boot would not open, and at one time the transmission stuck."

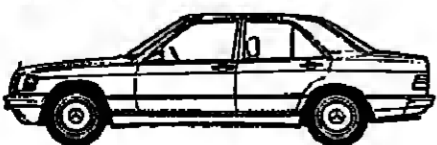
"These problems are unthinkable with a Japanese car. So after a little over a year I gave up and bought a Japanese car. I share a Toyota Soara with my wife, and



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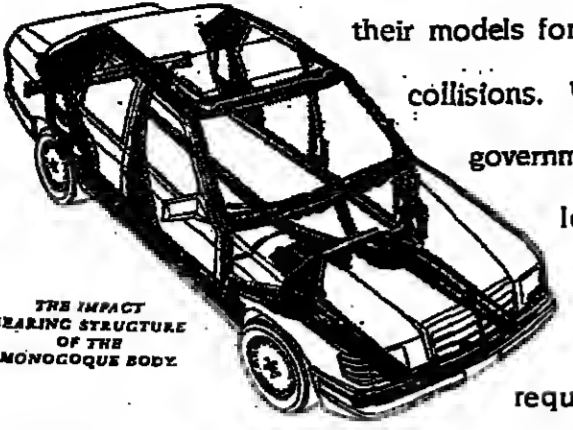


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Hughes of Beaconsfield Ltd, 55 Station Road, Beaconsfield, Bucks, HP9 1QJ.

Brian Robins

It is a surprising fact that only Mercedes-Benz, of all the world's car manufacturers, routinely test their models for off-set frontal collisions. Why? Because government crash test legislation demands that car makers meet requirements only for 100% frontal collisions - so that is the routine they all follow. Except Mercedes-Benz.



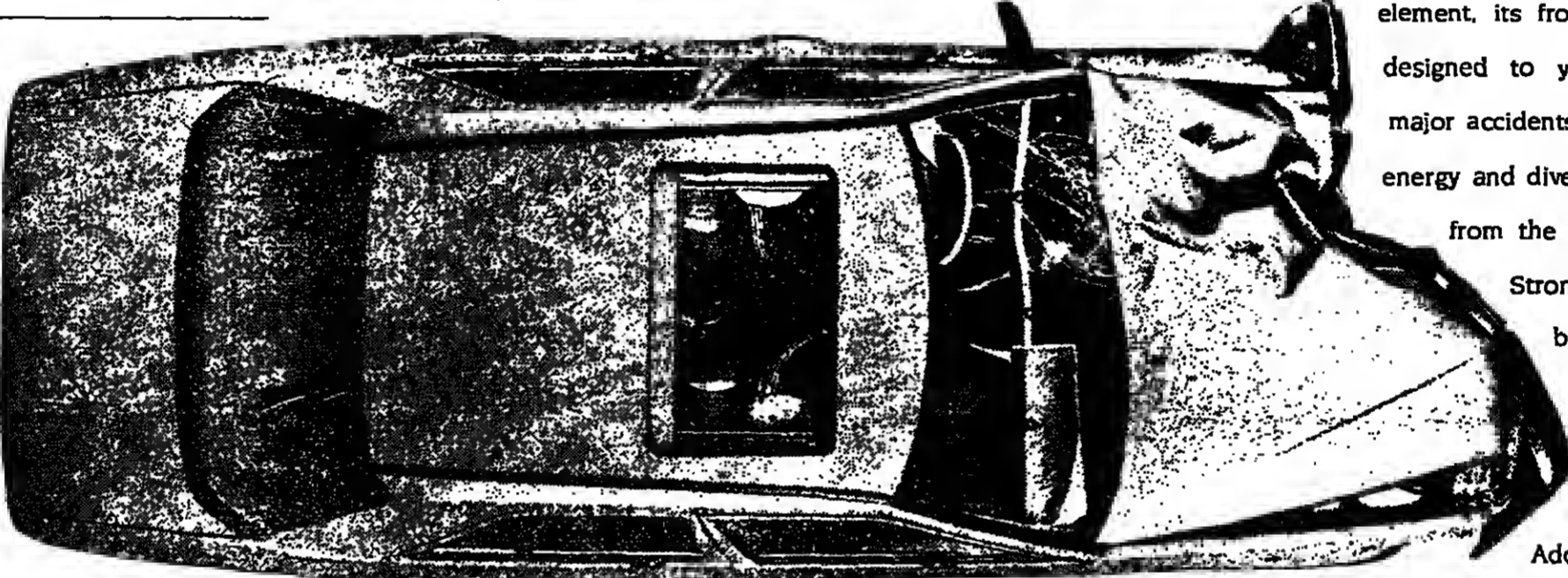
THE IMPACT BEARING STRUCTURE OF THE MONOCOQUE BODY.

Their research shows that 40% off-set frontal collisions happen three times more frequently, so Mercedes-Benz design briefs demand that all chassis and crumple zones be tailored specifically to disperse the unique stresses of both types of collision. Which means impact energy is absorbed progressively and displaced into forked cross-members mounted onto extremely rigid sidewall and transmission tunnel structures. The energy is therefore diluted by being transmitted and absorbed in three different directions.

# Only Mercedes-Benz crash test their cars for the accident that happens most often

### A CRASH TEST EVERY THREE DAYS

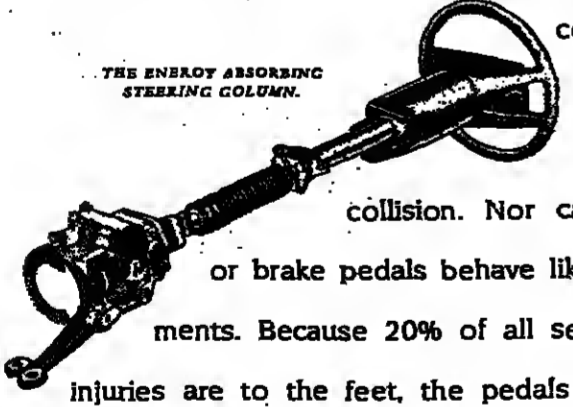
Mercedes-Benz conduct a crash test every three days, on average. Because safety research is an integral part of the Mercedes-Benz design process, many tests are conducted on prototypes prior to full scale production of a new model. Consequently, the safety development team are well placed to impose their priorities on the fundamental design of a car. Today's Mercedes-Benz models are the most thoroughly tested and safest the company have ever built.



Computer-aided design, combined with extensive use of high strength, low-alloy steel, ensures that Mercedes-Benz monocoque body shells are not only light, but are also outstandingly strong. Such a highly rigid shell is the basic safety element, its front and rear sections designed to yield progressively in major accidents. They absorb kinetic energy and divert the full force away from the passenger safety cell.

Strong cross-members are built into the floor pan to stiffen further the safety cell's resistance to side impact. Additional single section roof frame cross-members enhance the total load bearing capacity of the roof in front, side and roll-over impacts.

The four-part Mercedes-Benz steering system, as an example, is fitted with a distorting cup under the steering wheel, and a collapsible, corrugated column that will not intrude into the passenger compartment in either a head-on or off-set collision. Nor can the clutch or brake pedals behave like blunt instruments. Because 20% of all severe accident injuries are to the feet, the pedals are designed to swing away from the driver on impact.



THE ENERGY ABSORBING STEERING COLUMN.

### THE FATHERS OF AUTOMOTIVE SAFETY

The history of Mercedes-Benz safety consciousness dates from 1931 when they developed independent front suspension to ensure safer roadholding. And as long as thirty-seven years ago, long before 'crumple zone' and 'safety cell' became part of car industry jargon, Mercedes-Benz patented the first impact-absorbing body shell. But rather than protect the patent in their own

interests, Mercedes-Benz allowed it to be infringed in everybody's interests, so other car makers could incorporate the idea into their own body designs. A gesture that speaks for itself.

In 1959, Mercedes-Benz became the first manufacturer to crash test and roll-over test their cars.



SCIENTIFIC CRASH TESTING. CIRCA 1959.

In that year, 80 were destroyed in the search for greater passenger security. Since then, no car maker has placed greater emphasis on crash testing, and many others reap the benefits simply by adopting the results of Mercedes-Benz pioneering research.

### STATE OF THE ART SAFETY CELL

Computer-aided design, combined with extensive use of high strength, low-alloy steel, ensures that Mercedes-Benz monocoque body shells are not only light, but are also outstandingly strong. Such a highly rigid shell is the basic safety element, its front and rear sections designed to yield progressively in major accidents. They absorb kinetic energy and divert the full force away from the passenger safety cell.

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### HOW THE USE OF AIR CAN PREVENT INJURY

All inertia-reel safety belts fitted to the front seats of Mercedes-Benz cars, have electronic belt tensioners as standard. Above a predetermined level of impact, the tensioner is activated and pulls the belt taut around the body in milliseconds, inhibiting forward movement of driver and front seat passenger. Above certain speeds, however, impact injuries can still occur no matter how sophisticated the seat belts being worn. Therefore, Mercedes-Benz also offer



FROM IMPACT TO INFLATION IN 20 MILLISECONDS.

an electronically controlled airbag that is neatly stowed in the steering wheel hub. This innovatory safety feature has been available since 1981 and is already fitted to 350,000 Mercedes-Benz cars. A normally invisible guardian, it inflates in milliseconds, under impact, to cushion the driver's head and greatly reduce the risk of chest injuries. Further proof that the Mercedes-Benz commitment to safety is uncompromising, unchallenged and continues unabated.



**ENGINEERED LIKE NO OTHER CAR IN THE WORLD.**

EXECUTIVE CARS 8

Sweden's car plants are operating at full strength

### Change to sleek models

THE BEST-SELLING car model in equalitarian Sweden last year was the pricey Volvo 740. It is one measure of the success that Volvo and its domestic rival Saab have achieved during the 1980s in switching from making sturdy *folkbil* (people's cars) to sleek executive cars.

The two Swedish carmakers combined can claim 10-15 per cent of the loosely-defined European-produced medium-size auto market that is shared by BMW, Mercedes and Audi. Sales and production have nearly doubled for both, increasing profitability.

It is a far cry from the late 1970s when the future of the Swedish car industry was in doubt. Volvo and Saab plants are operating at full strength, with the two adding new production facilities within the next year.

"It is a matter of selling everything we have the capacity to manufacture," Mr Georg Karnsund, Saab's president, told shareholders in May.

The move upmarket by the Swedish companies was prompted by concern that they could not survive by turning out mass-produced cars. Their strategy was to increase profits on a stable volume of more expensive models.

They have benefited from their reputation for engineering quality, producing vehicles that can operate and survive in the tough Nordic winters.

One reason that the Volvo four-door 740 GLE has become the new standard in Sweden is that consumers consider Skr122,500 a cheap price to pay for a car that is built to last two decades. But the next several years will test whether Volvo and Saab will be able to maintain high profit margins in the face of a falling dollar and fierce market competition.

Volvo's entry into the upper-middle range began with the 760 executive car in 1982, the first of the 700 series that complements the company's older, less-expensive 200 series. The 760 four-door sedan and the top of the line 780 followed in 1984 and 1985 respectively.

With a long product cycle, changes in the 700 series have been a series of gradual improvements since then. Volvo revamped the 760 and 780 models last year by replacing a third of their 6000 components, including the addition of a rear suspension system to match Mercedes and BMW. A similar system for the 740 may follow.



Production at Saab

The 700 series now accounts for 60 per cent of the 300,000 medium-size cars that Volvo built in Sweden last year, with 191,400 in the 700 series class produced compared to 107,600 for the 200 series. Sales of the 700 series amounted to 188,700 while 114,400 200 series models were sold.

Production this year is expected to fall slightly due to a strike by key white-collar workers that closed Volvo plants for four weeks.

**Volvo has come to rely heavily on its car division to generate profits for the diversified conglomerate**

The strike cost Volvo 18,090 vehicles, although the company is trying to recoup some of the loss by stepping-up production. Saab tested the waters of the executive car market with its 900 Turbo in the late 1970s, but launched itself fully with the introduction of the 9000 series in 1982.

Saab completed the 9000 series range this spring with the introduction of the four-door 9000 CD sedan, following the turbo and injector-engine five-door versions. "With this car, Saab can compete throughout almost the entire up-market sector," says Karnsund. "Sedan cars represent 80 per cent of this sector, which in practice means that a new market has been opened."

Volvo is responding by emphasising sales in non-Nordic Europe, which bought 43 per cent

to turn its attention to developing a new car range that falls between the 9000 and 900 series. Out of Saab's total production of 154,100 cars last year, 49,000 were 9000 series models and 83,000 were the 900 series, including 18,500 900 Turbos. Sales amounted to 127,000 last year, including 41,300 for the 9000 series and 83,300 for the 900 series. Production is expected to fall to 130,000 cars this year as a result of the white-collar strike that affected Saab as well.

Although the executive car market is less susceptible to cyclical downturns than other areas of the motor industry, Swedish carmakers could see profit margins falling over the next few years.

Volvo has come to rely heavily on its car division to generate profits for the diversified conglomerate; the division accounted for 80 per cent of group profits last year. But strike-related production cuts and lower sales in the US, where a third of Volvo cars were sold last year, threaten to reduce its estimated Skr 11,000-12,000 profit margin on medium-size cars.

Volvo is responding by emphasising sales in non-Nordic Europe, which bought 43 per cent

of the company's output last year. With the Swedish krona having fallen against the D-mark, Volvo believes its competitiveness has improved against German carmakers.

But it also hopes to retain profit margins by cutting production costs by another Skr 2000-3000 by 1983. Volvo is investing Skr 3bn a year to improve its production facilities, including opening an assembly plant this autumn at Uddevalla that will eventually raise output in Sweden from the current level of 310,000 to 350,000 by the mid-1990s.

Volvo has depended on an exceptionally loyal base of customers estimated at 4m worldwide. It has the second-highest proportion of return buyers after Mercedes. But Volvo may not be able to rely on this factor for steady sales as it once did.

Volvo's US customers, for example, tend to be wealthy suburban families who normally consider quality before price but the rising value of the krona is even starting to pinch their pocketbooks.

For Saab, the problems are more difficult. Profits for the Saab car division, which account for about 10 per cent of group profits, have been drained by heavy investments for marketing, development and production expansion. The division's profits fell from a peak Skr 1.1bn in 1984 to Skr 579m last year.

Moreover, profit margins for Saab cars are about a third of Volvo's owing to a shorter production run, poorer production rationalisation and more advanced technology in the cars.

Saab believes it can successfully shift its marketing emphasis from the US, which accounted for 36 per cent of sales in 1987, to Western Europe where it claims it has had difficulty meeting demand in recent years. The opening of a new assembly plant in Malmo next year, which will raise Saab's total production to 180,000 vehicles by 1992, is likely to improve production cost efficiency.

Saab is also spending Skr 1.5bn annually to overhaul its production facilities. It plans to increase the proportion of the higher-valued 9000 series, which will account for a planned 49 per cent of total output this year.

John Burton



Volvo 740 Turbo estate: most big Swedish companies prefer to buy Swedish

### Choice made by the boss

CONSPICIOUS consumption is frowned upon by Swedes, who consider conformity a virtue. Fortunately for Swedish managers they can have their cake and eat it too: driving executive class is socially acceptable.

The reason, of course, is the presence of Volvo and Saab in Sweden. Despite their move upmarket, the two companies' quality-engineered vehicles remain the norm for many Swedes. Of the 315,000 new cars sold in Sweden last year, 35 per cent were made by Volvo or Saab. Their prime competitors in the loosely-defined executive car class, including BMW, Audi and Mercedes, have tiny market shares of 2 to 4 per cent each.

The corporate sector is a major buyer of the two Swedish carmakers' output, accounting for 40 per cent of their domestic sales, according to the Swedish Motor Industry Association. Mass purchases by Swedish corporations of cars for their executives is the key reason why Volvo and Saab have such a huge slice of the corporate market.

Executives with large companies have little choice in determining what car they will drive if the car is provided by the company - most big Swedish companies prefer buying Swedish, says Anders Hoff, director of market research for Philipson Bil, which imports Mercedes among other foreign models.

Executives of smaller concerns are the main customers of Mercedes or BMW. "Some of them are entrepreneurs who like to display their new wealth. Executives with small companies also have more influence in selecting what car they would like to drive," Mr Hoff says.

Marketers, though, are trying how to determine what effect the introduction of a new tax on corporate cars will have on sales to companies and executives. Corporate perks above Skr600 are subject to personal tax in Sweden.

Under the old rules, executives paid personal tax on their corpo-

rate cars according to a sliding scale based on the value of the vehicle. The new tax regulations state that 22 per cent of the value of a corporate car during its first two years should be regarded as personal income.

"The tax is thought to have two effects," says Lars Nasman, spokesman for the Motor Industry Association. "One is that it discourages executives indirectly purchasing their car through their companies since it increases their tax base, which pushes middle-rank executives especially into a higher tax bracket."

"The second effect is that a flat 22 per cent valuation favours the corporate purchase of cheaper cars."

Last year's new car registration figures showed that Volvo and Saab suffered a slight market loss to cheaper Japanese imports. Mr Georg Karnsund, Saab's president, recently criticised the tax by claiming it "penalised the Swedish auto industry" in competition with foreign models.

The tax has not had a mere drastic effect on sales of Volvo and Saab so far because credit conditions have been favourable during the last several years, Mr Nasman believes.

"One advantage executives had in acquiring their cars through their companies was that they avoided having to finance their purchase. But with the present existence of good credit conditions, they have been willing to purchase the cars on their own if they wanted to escape the company car tax."

However, Mr Kjell-Olof Feldt, the Finance Minister, recently proposed tightening credit conditions for car purchases by requiring that buyers must pay 40 per cent in cash as a down payment. The proposal was aimed at reducing a boom in car sales which, he claimed, was leading to inflationary pressure in the Swedish economy.

Executives are now finding other means to acquire corporate cars without hurting their pocket book. One method is purchase their cars individually but have their employers subsidise the purchase by paying "expenses" incurred in using the vehicle.

There is also a noticeable increase in demand for older, more luxurious cars," Mr Hoff says. "Prices have climbed dramatically in the past year."

J.S.



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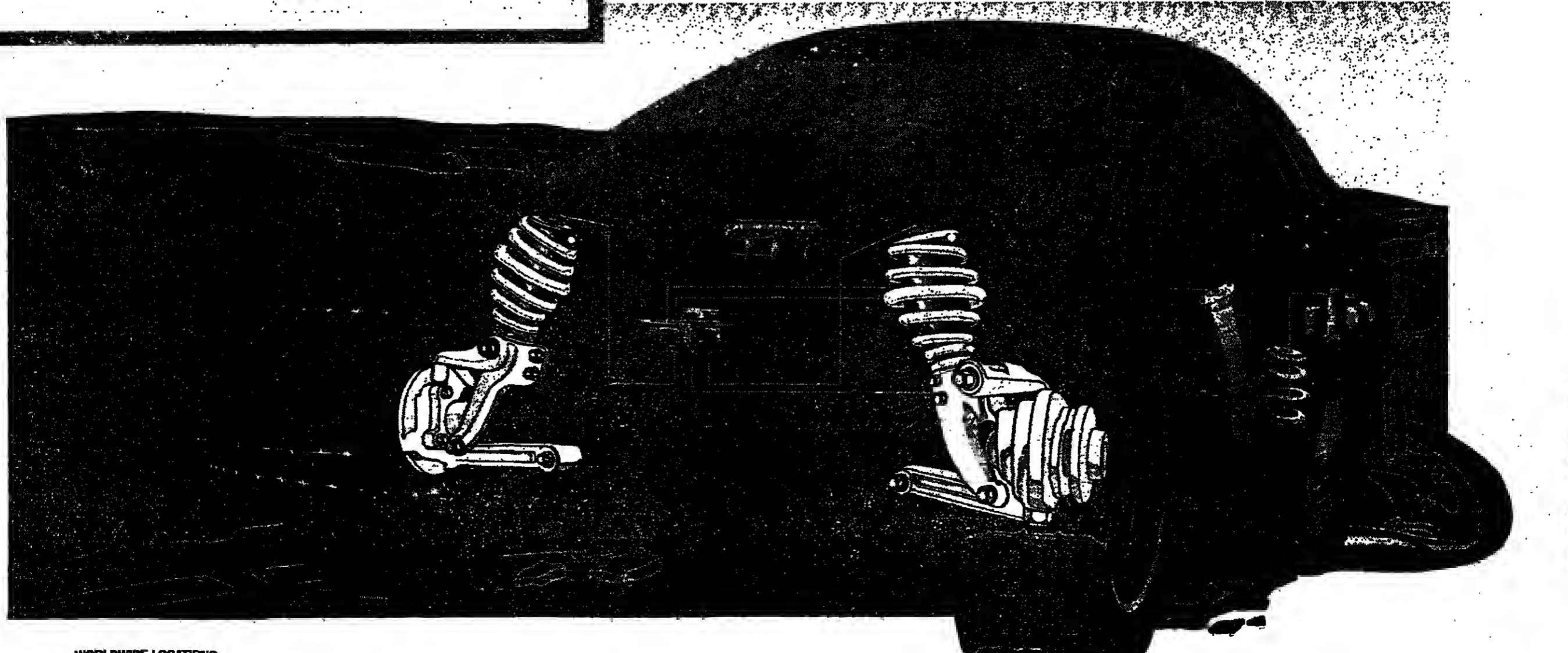
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EXECUTIVE CARS 9

The practice of offering cars to key personnel has become widespread in the South East. John Griffiths reports.

Company perk car policies influenced by rivals

THE PUBLIC SECTOR is no place to go job-hunting for UK executives who value the status of a "perk" car.

He or she would have to qualify for a very senior job at the Post Office even to get on the first rung of the PO's ladder on which a car is awarded for status, rather than essential use, reasons.

They would do much better at Wang, the computers group. There, a salary level of just £12,340 was enough to qualify for a perk car last year, according to a "research file" published a few months ago by the Top Pay Unit.

The unit itself is part of Incomes Data Services, the independent research organisation which publishes a range of journals in the field of pay and industrial relations.

Its research, which usually focused almost entirely on cars awarded for status, was based on case studies from 15 organisations and written information from 14 others, together with published survey sources such as the widely-used Monks Guide to Company Car Policies.

The study found that company policies towards car allocation vary widely according to type, size and location - and there is a growing blurring of the edges between perk cars and those essential for an employee to carry out their job.

In such an emotive area as car allocation - which in some companies has been known to take up board-level time which could have been more fruitfully spent on running the core business - policy formulation can be subject to some complex and conflicting pressures.

Particularly in the booming economy of the South East, the practice of offering perk cars to attract or retain key personnel in short supply has become more widespread, according to IDS - and created problems of its own within companies.

For example, one food manufacturer, short of skills in one particular area of its business, lowered its normal entry level salary to attract staff in the sector - only to generate much unrest and dissatisfaction elsewhere in the company, where the qualifying level remained unchanged.

Although the front line of decision-making is almost invariably the personnel department, IDS, Monks and other survey organisations conclude that in most cases, on an annual basis.

Detailed parts of it can be looked at much more frequently. Accountants Peat Marwick McLintock, a major operator of status cars, was found to be reviewing monthly contract hire rental allowances every week.

The Burton Group, IDS found, reviews its allocations three times a year on the basis of price or modal changes by Ford and Jaguar.

The debate continues to rage about whether it is best for a company to buy its cars outright and run the fleet itself or, as the contract hire and leasing specialists inevitably claim, hand the whole business over to the "professionals."

continues to be the principal growth area.

According to Monks, the number of companies buying their own cars fell by six per cent last year, the number using finance leases fell by 6 per cent, and the number of companies using contract hire increased by 11 per cent.

The actual number of vehicles outright purchased by companies fell by nine per cent, while there was a seven per cent rise in the number of vehicles on contract hire and a rise of two per cent in the numbers finance leased.

Yet IDS found a number of companies travelling, so to speak, in the opposite direction: Renault Trucks moving from leasing to outright purchase; Peat Marwick McLintock from contract hire to hire purchase; and J. Lyons abandoning a combined lease and purchase policy in favour of outright purchase.

As ever, and as fleet management specialists such as Gelco International stress, the relative merits of all the forms of vehicle acquisition will depend entirely on the nature, tax and financial position of each individual company.

The most recent Budget, however, did nothing to alleviate what is shaping up as a severe problem for the contract hire industry - the resolute refusal of the Chancellor to raise the £3,000 purchase price ceiling above which the cost of leasing a car is disallowed as a full deduction from trading income in corporation tax terms.

The £3,000 ceiling has been in force since the Conservative government took power in 1979. At the time £3,000 bought an expensive executive model - now even a mid-range Ford Escort costs more than that.

Like the £30,000 mortgage tax relief ceiling, the Government appears content to let the benefit be withered away by inflation - in keeping with its beliefs that perks are an undesirable manifestation of high taxation the need for which should disappear as income tax rates come down.

A claim made by one of the contract hire companies to IDS, that as a result of the Chancellor's unwillingness to shift ground "leasing will be dead within three years" might have been melodramatic. But it has led to some of the larger, more aggressive leasing specialists to launch schemes aimed at offsetting some, if not all, of the disadvantages.



Sir John Egan, Jaguar chairman, with newly-built cars. Perk cars in the company outnumber "job need" vehicles by more than two to one.

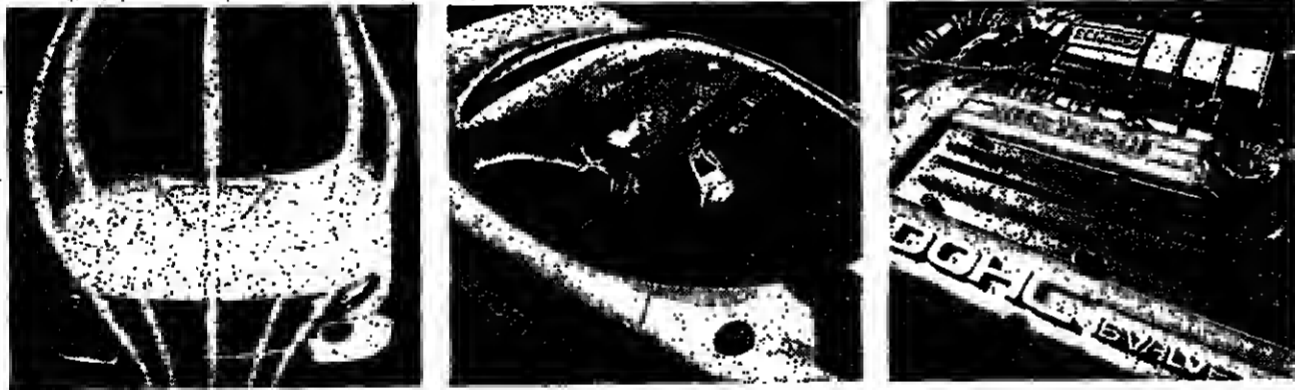
Royal Taylor

For example, Windsor-based Lease Plan UK and the TSB-owned Swan National group have launched contract purchase schemes where the user company actually buys the vehicle but it is operated by the leasing/contract hire company.

to be offset against tax - although it still does not overcome another gripe of the industry, that the £3,000 purchase price ceiling means that capital allowances restrict annual depreciation to only £2,000 a year.

Even if the company car is an employee of a typical 1.6 litre car from £700 to £1,400, with an additional assessment of £600 if private petrol is provided, "at the reduced income tax rate of 25 per cent, this means that the typical salesman's car will carry a tax charge of £500 a year - still a very low cost for a fully-expensed car," Mr Donkin points out.

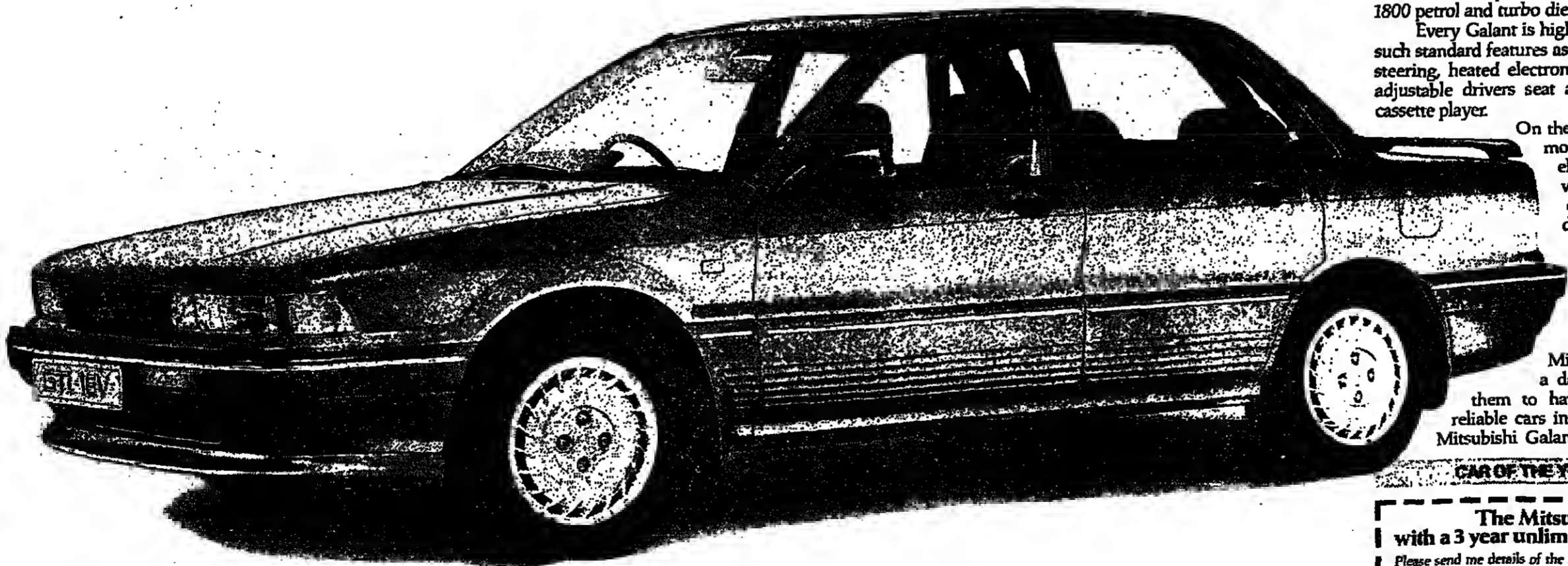
Before the Budget, IDS calculated that depending on an executive's tax band and the car model, the perk car could be worth up to £29,000 a year in gross salary terms - a figure that will have been lowered, but far from eradicated, by the income tax cuts of the Budget.



Every day, on average, Mitsubishi Motors spends £1 million on research and development to produce cars like the new Mitsubishi Galant.

Already "Car of the Year" in Japan for 1988, the new Galant boasts an unprecedented level of engineering sophistication and technology.

It took a company that spends one million pounds a day on R&D to develop the new Mitsubishi Galant.



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CAR OF THE YEAR, JAPAN 1988. The Mitsubishi Galant with a 3 year unlimited mileage warranty. Please send me details of the new Galant and my nearest dealer. Name: \_\_\_\_\_ Address: \_\_\_\_\_ Postcode: \_\_\_\_\_ Tel no: \_\_\_\_\_ Present car make: \_\_\_\_\_ model: \_\_\_\_\_ To: The Colt Car Company Ltd., Watermoor, Cirencester, Glos GL7 1LF Tel: 0285 5777 MITSUBISHI MOTORS Leading the way.

\*Galant 1800 Manual £9,399. Price correct at time of going to press includes Car Tax and VAT, but excludes on-the-road charges. For NATO forces Tax Free sales in Europe contact The Colt Car Company Limited, Hecksstrasse 66, 4057 Bruggen, W. Germany. Tel: (010 49) 2163-7036



Cars depreciate at different rates for a number of reasons, and before you buy it is worth looking two or three years ahead

# Discount today doesn't guarantee value tomorrow

ACCORDING TO predictions in Glass's Guide Autostat, new car sales in the UK this year will again top the 2m mark, with prices generally increasing by about 8 per cent.

As far as the secondhand market goes, it is expected to increase by 13 per cent, and residual values could well improve too.

That is because there has been considerably less discounting in recent months, according to Leslie Allen, director of Glass's Guide, who says that, with dealers giving less away at the front end, used car prices are tending to harden.

However, the executive car market is far more susceptible to international pressures than the volume market.

"On the volume side, alarm bells would start ringing as soon

as one of the major manufacturers started discounting to maintain market share," Mr Allen says.

But worldwide, the executive car market has been falling, particularly in the US, and if sales soften, then so will residuals. If manufacturers try to compensate for falling sales in Germany and the US by attempting to increase market share in the UK, that would be a real danger, and I wonder how long the present strong residuals could be maintained."

Looking at the large car group (defined as those fitted with engines of between 3000 and 2500cc), Autostat notes that a year-old car that has covered 30,000 miles is now worth 61 per cent of its cost new, against 46 per cent for a two-year-old car. A car that is three years old has a residual value of 36 per cent after 40,000 miles and a four-year old car has a residual value of just 26 per cent after 50,000 miles.

However, hidden in these generalities are some massive variations in residual values, which make an enormous difference to the whole-life running costs of certain vehicles. Autostat's figures show that residuals after one year vary from 67 per cent



The British Car Auctions complex at Brighouse, in Yorkshire: residual value is one factor the experts will have in mind

down to only 60 per cent of the new car price, while two-year-old values vary from 55 per cent down to 42 per cent.

Different cars depreciate at different rates, for a number of reasons. Some are quite simply better designed and built than others, and so remain in good repair for longer; some have covered fewer miles than others; some are just more attractive cars to a wider number of people.

The general condition, the colour, the registration letter and the year of registration all have an influence on the value of a particular vehicle.

However, it is possible to make one or two generalisations about residuals from published used-car values. The obvious factors are that the higher the mileage the less the value, and the larger the car the faster it will depreciate.

But there is also another element, according to the 1988 Hertz Report Beyond the Fifth Dimension: "Residual values — and therefore the rate of depreciation — vary significantly over time according to trends in private and business buying. These factors in turn are related to wider business confidence.

There was, for example, a cyclical peak in residual values (meaning lower depreciation rates) in 1983. Since then the pattern has moved through a trough in 1985 (high depreciation) followed by a new peak in 1987. The forecast is for another trough — a rise in depreciation rates — in 1989.

"Furthermore, the rate of depreciation varies with the cycles of all models. However the trend is analysed, the conclusion is simple: depreciation rates are unpredictable, complex and should not be left to guesswork."

But, however complex the prediction of residuals, it is in every car buyer's best interests to do all he or she can to find out what the vehicle they have in mind is likely to be worth in two or three years' time.

That is because, while it is not too difficult to twist a salesman's arm and achieve a front-end discount of £200 to £300, that saving can pale into insignificance compared with a £2,000 to £3,000 difference in value when the time comes to trade in.

Take one, admittedly extreme, example of a purchaser looking for a sporty car in late 1985, and now considering its replacement.

**Autostat notes that 30,000 miles, a year-old large car is worth 61 per cent of its cost new**

One possibility might have been a Porsche 944 at £19,497, though instead an apparently cheaper choice could have been made — a Nissan 300ZX Turbo (£17,995), a Lancia Thema LX Turbo (£15,965), a Lotus Esprit (£17,630), or an Alfa Romeo GTV6 (£11,320), Alfa £4,000.

At current trade prices, at 30,000 miles and in good condition, the Porsche is still worth about £15,200, while the Lotus will fetch £11,000, the Lancia £7,300, the Nissan £5,500 and the Alfa Romeo 35.3 per cent. More startling, the Porsche has dropped in value £4,297, which is £2,333 less than the Lotus, £3,023 less than the Alfa, and £4,369 and £5,599 less than the Lancia and Nissan respectively.

However, although the residual

value itself is important in assessing the true cost of any particular car, the most accurate figures of all come from checking the whole-life cost — which would also include fuel, maintenance and insurance.

Each year, Leasecontracts, a contract hire and leasing specialist, produces its own company-

**The whole-life cost would also include fuel, maintenance and insurance**

car cost calculator, which provides some fascinating insights into what different models can actually cost. It also proves beyond a shadow of a doubt that the worst indicator of true value is the list price.

"Widely-ranging residual values and maintenance costs continue to be a minefield to unwary businesses which can make hugely expensive errors if cars are selected on simple purchase price considerations alone," says Geoff Becque, Leasecontracts' director.

"People often boast of gaining an extra 1 per cent discount on the purchase price, perhaps worth only £25. But when it comes to disposal, there can be differences of £852 between identically-priced models."

Leasecontracts' calculations take into account depreciation, maintenance, vehicle licence, financing, temporary vehicle replacement, AA business membership and fleet administration, plus insurance and fuel costs based on 12,000 miles a year. The results range from the Mini City E, at £135 a month or 17.8p per mile, to the Mercedes-Benz 560SEC, at £1,398 a month, or £165.4p per mile.

But, in between the extremes, the figures reveal that a Seat Ibiza SLX, costing £8,745, has the same monthly operating cost as a Ford Escort XR3i costing £2,400 more at £9,141. Similarly, the £7,799 Alfa Romeo 33 TI costs more to run at £262 a month than the VW Golf GTI which is priced £2,325 higher at £10,324 yet costs only £246 a month to operate.

The Calculator also shows that the German BMW 325i and the Mercedes-Benz 260E have higher

list prices than the British Rover Sterling and Jaguar XJ6 3.9 but actually have a lower whole-life cost.

At the moment, West German cars tend to retain the strongest residual values, while Italian cars, followed by French ones, tend to have weaker secondhand values.

"The reasons are mostly historic," said Bob Rider, Director of Operations at Lease Plan UK. "Remember how Vauxhall suffered for years from one model — the Victor of 1959 — which quite literally rusted away? It probably took them 20 years to live it down. The Italians are still trying to live down their own rust problems and the distress marketing that followed, even though they occurred years ago.

"But each model has to be treated on its own merits, because it's very difficult to generalise. If you mark down all Italian cars, where does that leave Ferrari?"

The CAP Black Book of trade and retail values shows that a clean low-mileage 1985 Ferrari

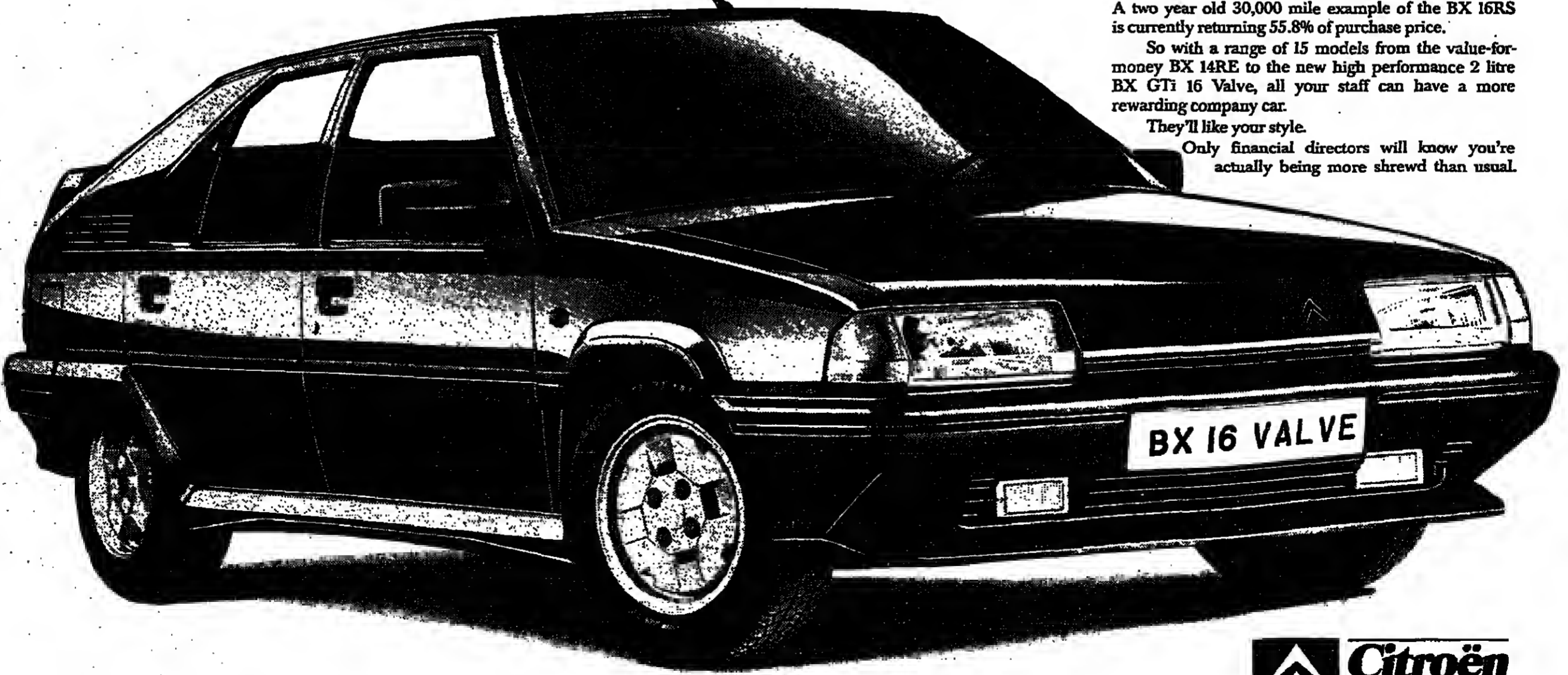
**At the moment, West German cars tend to retain the strongest residual values**

328 GTB, costing £35,950 new, would retail at over £40,000 now. And if you bought a Daytona model in the 1970s for under £10,000, you could sell it now for upwards of £150,000. Which perhaps goes to show that the most useful tool for calculating residuals might be a crystal ball.

Martin Derrick

□ Glass's Guide Autostat: £80 from Glass's Guide Service, Elgin House, St George's Avenue, Aylesbury, Surrey KT13 0RE.  
 □ The Hertz Report 1988: from Hertz Leasing, Islesworth House, Great West Road, Islesworth, Middlesex TW7 5SN.  
 □ 1988 company car cost calculator, from Leasecontracts plc, Leamington House, Pritchill, Evesham WR11 4SN.  
 □ CAP Black Book: £60 per year from Prater Nolan & Partners Ltd, CAP House, Carleton Road, Skipton, North Yorkshire, BD23 2BE.

## SURPRISING AS IT MAY SEEM THE EXCITING, FAST AND STYLISH CITROËN BX IS A MORE SHREWD INVESTMENT THAN THE USUAL COMPANY CAR.



Now you can make everyone happy, especially financial directors.

Your staff won't need persuading that the Citroën BX is more stylish than most company cars. Particularly when they find that the BX is satisfyingly faster too.

However, you might be forgiven for imagining that the BX is more expensive to buy. Though it isn't. For example, at £8,322 the BX 16RS costs less than the Sierra 1.6L and Cavalier 1.6L.

Of course (we hear you say) parts and servicing cost more. Actually, they don't.

OK then, what about residuals?

In fact the Citroën BX holds its value very well. A two year old 30,000 mile example of the BX 16RS is currently returning 55.8% of purchase price.

So with a range of 15 models from the value-for-money BX 14RE to the new high performance 2 litre BX GTi 16 Valve, all your staff can have a more rewarding company car.

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CITROËN BX



CAR RETURNED: BX 16 VALVE £3,244. PRICES CORRECT AT TIME OF GOING TO PRESS AND INCLUDE CAR TAX, VED AND FRONT/REAR SEAT BELTS. NUMBER PLATES AND DELIVERY EXTRA. RESIDUAL VALUES SOURCE: CAP MAY 1986 'C' REG, 30,000 MILES, CLEAN CONDITION.

EXECUTIVE CARS 12

There are wide differences in acquisition policies in the EC countries, as John Griffiths reports

# Germany heads the company car league

ONE OF THE most often heard characterisations of the UK company car sector is that, because of the particularly favourable tax regime towards them, the UK has a uniquely high proportion of company cars compared with the rest of Europe.

This is simply not the case, according to a survey carried out by vehicle leasing group Lease Plan, using both its own research statistics and those from the European Car and Truck Rental Association.

According to Mr Norman Donkin, Lease Plan UK's managing director, and author with Mr Tony Vernon-Harcourt, of Monks Guide to Company Car Policy, the statistics show a higher proportion of company cars, relative to total car numbers, in West Germany than in the UK.

According to Mr Donkin, 4.5m of West Germany's 27.5m cars, or 16.1 per cent, are registered to

names and, in one way or another, have some or all of their operating costs paid by businesses.

By precisely how much varies from country to country. In the UK, it is estimated that between 15 and 20 per cent of all new car registrations might fall into this category.

For obvious reasons, Lease Plan's particular interest in picking apart the European business car scene has been to assess the potential prospects for expanding contract hire and leasing businesses.

The research threw up some wide variations. In the UK, where contract hire is regarded as the main growth area in terms of company car acquisition, Mr Donkin estimates that some 30 per cent of company cars, or 750,000 units, are subject to some form of leasing arrangement. This percentage is not dissimilar to those of Belgium (27 per cent) or the Netherlands (35 per cent).

The lower level in Spain - 20 per cent - reflects the relatively more recent growth of the car population and introduction of leasing.

The really big disparities are between West Germany, where only 11 per cent of company cars are leased, and France, where the level rises to 55 per cent.

The figures, observes Mr Donkin, illustrate yet another facet of the complexities of the EC, now straggling towards internal market harmonisation by 1992. Each country has its own particular problems - and opportunities. The differing taxation and VAT regimes illustrate some of the difficulties.

In Belgium, 25 per cent VAT is imposed on new cars, or 33 per cent if it is only 3 litres. Only half the VAT is recoverable by a business purchaser.

There is even a 25 per cent tax on any discount from the list price obtained by a purchaser.

Two different rates of VAT are imposed on leased vehicle rental payments: one rate for maintenance, one for everything else - only half of which is recoverable.

And in cases that is considered too simple, there are limits on allowable depreciation for tax



The Mercedes 190E - 15 per cent of Germany's 28m cars are owned by companies

## The differing taxation and VAT regimes are another facet of the Community's struggle towards the 1992 internal market

companies. That total of 19m - 13.2 per cent - for the UK.

Lease Plan's figures exclude Italy for the simple reason that, unlike the six EC markets under study, the company does not have operating subsidiaries there.

Of the six, however, it does become apparent that West Germany and the UK are well above average in terms of the size of their company car populations.

Using the same statistical source, France has 550,000 company cars out of a total of 22m (2.5 per cent); Spain 600,000 out of 10m (6 per cent); the Netherlands 400,000 out of 5m (8 per cent); and Belgium 130,000 out of 3.2m (4 per cent).

In most cases, the figures understate the real size of the business car population, as many cars primarily used for business will be registered in individuals'

purposes, which are indexed and require annual recalculation.

There are also no firm rules covering the private use element of company cars - tax assessments being strictly a matter for negotiation between companies and their local tax offices.

Despite this, contract hire companies like Lease Plan, Avis and Hertz Leasing, together with vehicle manufacturer-linked companies such as Locaterm (Peugeot) believe prospects are sufficiently bright for a brisk battle to win new business to be going on.

A quick glance at the fiscal situation in France is all that is required to see why the market penetration of company cars is so low, and why employers are much more inclined to pay mileage allowances for executives to

use their own cars: VAT is imposed on cars at a rate of 25 per cent. This is recoverable by contract hire companies, but not by other purchasers, Mr Donkin points out.

However, 25 per cent VAT is also charged on the finance and depreciation element of contract hire rentals and this is not recoverable by the user.

There is also a specific annual tax on company cars irrespective of whether it is bought or leased and which, depending on vehicle size, ranges from Frs 4,800 to Frs 10,500. And just to complete the picture, there are also limits on depreciation allowances.

That more than half of the company car population that does exist is subject to contract hire and fleet management agreements reflects a strong push by French vehicle manufacturers themselves to promote their products.

Their uniquely strong position when it comes to providing relatively attractive terms has resulted in Renault, Peugeot and Citroen between them accounting for some 60 per cent of leasing business.

Indigenous manufacturers also dominate the West German leasing market, estimated at some 850,000 vehicles.

But nearly half of these were leased not to companies but individuals.

The low penetration of leasing appears to reflect the relatively benevolent fiscal climate under which cars are operated. Cars bought by companies are subject to 14 per cent VAT but it is all recoverable, as is the 14 per cent VAT charged on contract hire rentals.

The Netherlands and Spain differ sharply, yet again. The 35 per cent penetration of leasing in the Netherlands, says Mr Donkin, probably reflects most strongly strict controls through the tax system over mileage reimbursements by companies to employees using their own cars.

But there is also the matter of the system whereby the Government adds 20 per cent of the cost

of a company car each year to its user's income - minus any payment the driver makes to the company for the car's private use.

That, in turn, is thought to account largely for another wrinkle in the Dutch company car scene not seen elsewhere: the widespread use of liquefied propane gas (LPG) as a fuel. Some 40 per cent of company cars run on it, compared with 30 per cent petrol and 50 per cent diesel. Drivers do not like to opt for diesels because of their higher purchase price relative to petrol models. And cars are cheap and easy to convert to run on LPG - which is less than half as expensive as petrol.

VAT (20 per cent) on purchase and rentals are fully allowable against tax except for banks, insurance, government agencies and some non-profit institutions.

In most cases the figures understate the real size of the business car population as many are registered in individuals' names

## TOP 20 REVEALS MOST POPULAR MODELS

WEST GERMAN-BUILT executive cars are those most favoured by company chief executives and other directors throughout Western Europe.

At least they are according to a survey published earlier this year by the Executive Compensation Service, a Brussels-based consultancy which specialises in the size and structure of executives' remuneration in Europe.

ECS arrived at its conclusions, which include a "Top 20" ranking for both manufacturers and actual car models, after surveying some 3,500 chief executives and other

directors in 16 countries. These were: the UK, West Germany, France, Italy, Belgium, the Netherlands, Spain, Greece, Luxembourg, Ireland, Austria, Denmark, Finland, Sweden, Switzerland and Norway.

The 10 most popular models, according to the survey, were the Audi 100, mentioned by 13.4 per cent of those surveyed; BMW 5 Series and Ford Scorpio/Granada (8.5 per cent); Mercedes 200 Series (7.6); Volvo 700 Series (5.9); Renault 25 (5); Volvo 200 (4.5); Saab 900 (3.7); BMW 3 Series (3.2); and Ford Sierra (2.8).

The "second division", occupying places 11 to 20, were:

Opel Rekord/Vauxhall Carlton (2.6); Mercedes 190 (2.5); Peugeot 505 (2.4); Opel Senator/Omega (2.1); Lancia Thema (2); Renault 9 (1.6); Saab 900 (1.6); Lancia Prisma and Citroen BX (1.5); and Honda Accord and Mazda 626 (1.4).

The manufacturer rankings show substantial differences, reflecting the fact that while the total volumes of some of the models sold to the companies may be low - because, for example, they are very expensive models at the very top end

of the market - the presence of the marque itself is quite widespread.

This factor provides some consolation to UK companies Rover Group and Jaguar, which achieve 12th and 19th places in the rankings.

The actual Top 20 list runs: Audi (mentioned by 14.3 per cent); BMW (12.5); Ford (11.9); Volvo (10.6); Mercedes (10.4); Renault (8.3); Opel/Vauxhall (6.3); Saab (5.5); Lancia (3.8); Peugeot (3.1); Citroen (2.9); Alfa Romeo (2.2); Rover and Honda (1.9); Fiat (1.5); Mazda (1.5); Volkswagen (0.7); Toyota (0.5); Jaguar (0.4); and Nissan (0.3).

With no large volume car makers present in the market, the Netherlands remains one of the more attractive markets for the leasing companies, with estimates of as many as 1m drivers using their private cars for business purposes.

Lease Plan claims market leadership, but with strong challenges coming from another pan-European company, Interleasing, as well as Audi/Volkswagen and Opel-linked leasing concerns.

Spain, despite its growing use by multinationals as a base for vehicle production - to the extent that Spain's vehicle output outstrips that of the UK - has a stiff VAT regime discouraging domestic sales. The tax is imposed at a rate of 55 per cent on both car and trailer, and in neither case is recoverable.

## Diesels

## Exhaust emissions

# Resistance to switch-over

A NEW publication catering specifically for the diesel sector in the UK, Diesel Car, was launched this spring with a cover story proclaiming that British business was passing up annual savings of £3bn by continuing to run petrol-engined cars.

The magazine claimed that many companies were in fact poised to make the switch - but "one major obstacle is resistance to the idea from directors and senior managers who fear they would have to drive diesels if 'the troops' did."

The article went on to assert that this resistance was based largely on inaccurate and outdated perceptions of diesel cars as slow, noisy and smelly.

That sales of cheaper diesel cars, used by private buyers or high-mileage business drivers, are nevertheless enjoying high growth rates is not in doubt.

Total diesel car sales in the UK last year reached 93,325, a 26.1 per cent rise over the previous year comparing with only 14,590 five years previously. Last year's UK market share for diesels reached 48 per cent, compared with well under 1 per cent at the end of the 1970s.

But there is virtually no sign that resistance to diesels in the executive car sector is being



The Mercedes-Benz 230, a diesel widely used by European drivers

tendency not to worry too much about the fuel bill unless private mileage is very high.

The situation is all too evident in the sales figures. Taking the Ford example again, out of the 35,090 Granadas/Scorpios sold in the UK last year, just 567 - or 0.02 per cent - were diesels, most of which are believed to have been bought by taxi operators.

Similarly, just over 800 diesel Vauxhall Carlton cars were sold; Rover group does not even have an executive sector diesel car, and Peugeot Talbot's Peugeot 505 executive diesel sold just 140 units.

Mercedes, much the most dominant force in the executive diesel sector, achieved just under 2,100 sales - including estate cars - or about 10 per cent of its sales total.

Even when models like Renault's 21 and Citroen's BX diesel car ranges are included in the "executive" sector - considered very much open to debate by other manufacturers, which suggest their pricing puts them more into the utility sector - total sales last year reached only 13,265 units. This was barely up on the 1986 figure of 13,160 - despite a record new car market up by over 7 per cent.

Even then, nearly 8,000 of the above total was accounted for by the best-selling BX. An additional 4,825 diesel estate cars were sold - again only slightly up on 1986's 4,590 and the BX accounted for nearly 3,400 of these.

The market is so small that BMW of West Germany, which expects to sell some 38,000 cars to British executives this year, does not even bother to import its own range of diesel cars to the UK, and has no intention of doing so in the foreseeable future.

A spokesman says: "There are two main reasons why we are not importing them, even though we have diesel and turbodiesel versions of both the 3 and 5 series cars which sell well elsewhere.

"The first is simply that the

market is so small in our price sector. The second is that a large proportion of more expensive diesel vehicle sales are of estate cars and we are not really in that market."

"Nor do we think there is any prospect of the situation changing without a big shift in fuel taxation policy" (of which the UK government has given no sign).

Advocates of the diesel put forward other arguments in its favour, notably lower maintenance costs and better resale values compared with petrol-engined cars. Cost savings can also come from businesses installing their own diesel pumps and the vehicles having a longer life.

While most of these arguments are accepted, that relating to resale values increasingly is being called into question.

Mr Leslie Allen, director at Glass's Guide, agrees that resale values of diesel cars were a lot stronger than their petrol equivalents in 1985 and 1986. But he suggests that reality value was at play as a factor and that as more vehicles have come on to the market they are probably approaching or are at parity with their petrol-engined equivalents.

All these arguments, however, are about economy - which studies by Monks' Guide to Company Car Policy and others have clearly shown is hardly paramount in most executives' minds when making the frequently emotive decisions about their cars.

Events in the overall European car market in the past two years tend to bear out the view that what happens to the diesel car sector will be decided almost entirely by factors which have little to do with the intrinsic appeal of the cars themselves.

Last year, a boom in West European diesel car sales which had gone on virtually uninterrupted for 14 years came to an abrupt halt. Sales in fact dropped 1.9 per cent, to 1.9m units,

despite total new cars sales in the region rising by 6.1 per cent to a record 12.2m.

Market analysts Automotive Industry Data identified the setback as being due almost entirely to a slump in the West German market, where diesel cars sales fell nearly 27 per cent, to 567,510.

But the slump simply corrected a huge bulge in sales the previous year which, AID and other analysts believe, had been triggered solely by the uncertainties prevailing over exhaust emissions legislation, prompting what AID describes as "a mad dash" into diesels.

Now that catalyst cars have become a known quantity - offering only marginally reduced performance from a non-catalyst petrol car, "the popularity of oil burners is falling rapidly."

## The boom in diesel sales which had gone on for 14 years came to an abrupt halt, even though sales of new cars rose

Growth is continuing in other markets such as France, Italy and the UK - but predominantly among private buyers and business vehicles used more as high-mileage work horses than perk transport for the higher paid. The notable exception is Italy, where one in every four cars sold is a diesel.

The Italian fuel tax regime is such that diesel fuel costs only about half as much as petrol. Combine that with the diesel car's roughly 25 per cent better fuel economy compared with a petrol engine, and the combination becomes difficult for even the most careful executive to resist.

John Griffiths

# EC closer to full commitment

HAD ALL gone as well as most European Commissioners hoped back in the early 1980s, from October of this year the buyer of any new-model executive car inside the Community would automatically have taken delivery of a car with a full three-way catalyst system to clean up the pollution from its 2 litre-plus engine.

To the intense disappointment of some quarters, such as the "Green" of West Germany, it hasn't worked out like that, even though further progress was made at the start of this year towards clearing up more of the longstanding confusion surrounding legislative standards for car exhaust pollution in the EC.

The Commission has now accepted a set of standards first agreed in principle in 1985 but which subsequently fell foul of national political considerations.

They will restrict the amounts of oxides of nitrogen, carbon monoxide and hydrocarbons and will be applied with varying degrees of severity and under varying deadlines to cars of all sizes between this coming October and the early 1990s.

That is the theory. In reality, implementation of the standards is on a permissive basis. In other words, those EC member states which are not too worried about the subject, or at least do not wish to impose further burdens on their national motor industries, are under no obligation to impose the standards inside their own national boundaries.

Other major issues remain unresolved. Precisely how to tackle particulate emissions from diesel cars is not yet agreed, for example; nor is there even a final agreement on a driving test cycle over which a car's exhaust emissions should be measured. The current EC test cycle is based almost entirely on urban conditions, with an average speed of less than 12mph.

Plainly, this no longer reflects present-day driving conditions and a revised cycle will certainly contain an element of high-speed driving to lift the average substantially.

This has led to the powerful and vociferous lobby in favour of cleaning up exhausts exclusively by catalyst systems - led by companies such as chemicals giant Johnson Matthey - to argue that vehicle manufacturers will have little choice but to downgrade their efforts to cut pollution by means of "lean-burn" engine technology in favour of the catalyst.

A full three-way catalyst system can be expected to add at least £400 to the price of a car. This is no great deterrent in the luxury and executive sectors. But French and Italian vehicle manufacturers, with a large part of their output devoted to small cars, were alarmed by the high percentage price increase implicit for cars such as the Fiat Uno, Renault 5 and so on.



Traffic on the Penn Lincoln Highway in Pittsburgh, Pennsylvania. The EC is taking its time to follow the US lead on emission laws

That concern is beginning to disappear as the conviction grows that the proposed standards - which are less strict than those of the US and Japan, where catalysts are mandatory - can be met by less expensive means even though the cars would not be as "clean" as catalyst-equipped ones.

Volkswagen has been offering catalysts on every model in its range since 1985, reflecting West German concern about heavy environmental damage in its Black Forest region.

It is also a major producer of catalyst systems in its own right, making 6,000 a day worldwide, and says it has cut the performance disadvantage of catalyst-equipped cars compared with their "non-cat" rivals to less than 5 per cent.

Nevertheless, its research and development officials say that "the future is for the petrol engine to provide clean air without catalysts."

VW envisages an intermediate step where engines burning very lean air/fuel mixtures, of about 22:1, will be able to get by on simple oxidation catalysts which require none of the complex sensing and other electronic equipment associated with full three-way catalyst systems.

Under the same "Luxembourg Package" which produced the emissions commitments, it was agreed that all new models over 2 litres produced after October 1 this year should be able to use unleaded petrol, as should all new models produced after October 1 1989 and all new registrations after October 1 1990.

Designing engines, or adapting existing ones, to run on unleaded fuel is much simpler than coping with other emissions and all EC members currently are running advisory campaigns on which cars can and cannot run on unleaded.

In the UK, for example, the Society of Motor Manufacturers and Traders estimates that about 10 per cent of cars currently on the road can use leaded or unleaded and a further 50 per cent could be returned - mainly a matter of ignition timing - to accept unleaded.

Lead and the wider emissions legislation have been linked only because lead "poisons" catalysts and unless fuel, therefore, had to be widely available in Europe before the other emissions legislation could become effective.

The Luxembourg agreement committed member states to ensuring that unleaded fuel is widely available throughout the Community by October 1990, and after a slow start in some countries - including the UK - this now looks certain to be the case.

There are, for example, already more than 800 sites in the UK where it is sold, and the UK Chancellor announced in the last Budget by making it roughly 5 to 6p cheaper per gallon than leaded fuel.

The prospects for diesel cars may be improved, however, by the introduction of directly-injected (DI) diesels, rather than conventional units in which fuel and air are mixed in a pre-combustion chamber before being introduced to the cylinders.

Such engines, just introduced by Fiat and soon to be launched in Austin Rover's Montego, offer as much as 15 per cent economy improvement over the conventional diesel.

There has been much talk of the merits of DI diesels in recent years, but the slowness of their progress towards the marketplace has led to widespread speculation that they remain too costly and unrefined for significant use in cars.

However, such an impression is misleading, according to senior executives at AVL, the Austria-based engine engineering consultancy which developed, among many others, Ford's 2.6 litre DI diesel for its Transit van.

"Lots of manufacturers are ready with such engines," says a spokesman. "They are simply waiting for the market to come right."

John Griffiths

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John Griffiths

EXECUTIVE CARS 13

Bill Packer asks whether the latest UK tax move will lead to a rethink of the company car concept

More drawn into the 'higher-paid' net

THE TAXABLE benefit for UK income tax purposes of an executive car for its user was doubled in the March Budget. Is the time coming when it will be more advantageous for the higher-paid to provide their own cars?

And will this lead, if not this year then perhaps next, to a rethink of the whole concept of the "company car"?

Before looking at the present position in detail it is useful to summarise the rules as they currently apply.

These provisions apply to directors and to "higher paid" employees. Here an employee is defined as higher paid if he or she is remunerated at a rate of more than £8,500 per annum.

For this purpose "remuneration" includes salary and other payments as normally understood, but also benefits in kind (including a company car) calculated as if the employee were higher paid and any expenses paid on his behalf or reimbursed, regardless of whether or the employee is taxable on any part

of them because of any personal benefit arising.

A deduction is allowed for any expenses covered by a dispensation granted to the employer by the Revenue and for any pension scheme contributions paid.

The £8,500 per annum threshold has been in force since 1979 and Treasury Ministers show no inclination to adjust it in line with the other tax allowances and thresholds. It has to be assumed that the authorities are happy to see more and more individuals drawn into the "higher paid" net.

Generally directors, regardless of their level of remuneration, are caught by these rules. For convenience I use the term "employee" to cover any individual within these provisions.

Where an employee within these terms is provided by his employer with a car, he is subject to tax on a benefit in kind (the "scale" or "table benefit") based on the car's size, cost and age. The current scale takes no account of the level of business mileage except for the extremes of:

• More than 18,000 business miles a year, when the scale benefit is reduced by half.

• Under 2,500 business miles a year, when the scale benefit is increased by half.

(Note that home to office travel is almost invariably "private" not "business" mileage).

There are also adjustments for non-users, for second cars provided by the employer and where the employee makes a contribution towards the cost of providing the car.

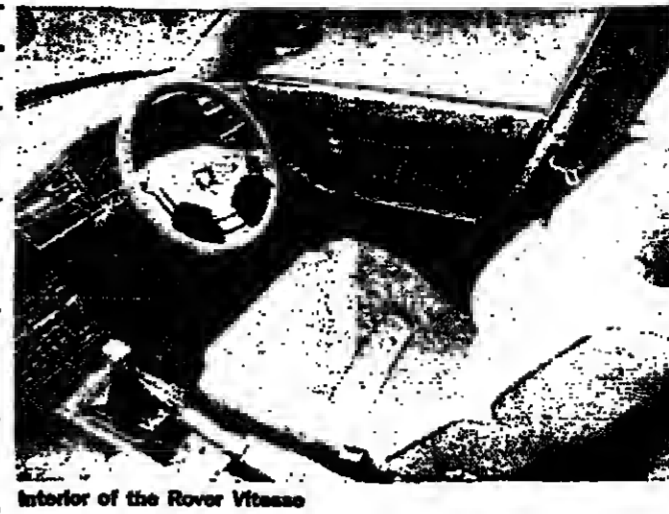
This scale has been doubled from the amounts applicable for the tax year 1987-88 and this is the cause of the present concern as to the tax efficiency of the company car. In addition, the scale is applicable where fuel for private use of the company car is provided by the employer.

This depends on the size and cost of the car but not its age: there is a 50 per cent reduction for high (more than 18,000) business mileage, but no loading for low mileage. Also and particularly significantly, this scale has not been doubled up as was the car scale described above.

On this basis then, an employee provided with a 2000cc company car and free private petrol in 1988-89 doing 10,000 miles a year, half business, half private, will be assessed on a benefit in kind of £2,000 (car £1,400 and fuel £600). On a marginal tax rate of 40 per cent the actual cost in extra tax is £800. (The corresponding cost for a top rate taxpayer in 1977-78 would have been £1,200 at 60 per cent £780).

The corresponding standing and running costs as currently

Benefits in kind Cars and car fuel 1988-89	Cars		
	Under 4 years old	4 years older or more	Car fuel
	£	£	£
Cars by original market value up to £18,250 and cylinder capacity of:			
1400 cc or less	1,050	700	450
1401 cc to 2000 cc	1,400	940	600
more than 2000 cc	2,200	1,450	900
Cars by original market value over £18,250:			
less than £8,000	1,050	700	480
£8,000 to £8,499	1,400	940	600
£8,500 to £19,250	2,200	1,450	900
Cars with original market value over £19,250:			
£19,251 to £29,000	2,900	1,940	900
over £29,000	4,600	3,060	900



Interior of the Rover Vitesse

estimated by the AA would be almost £3,200. These do not take account of interest on capital which is no longer included in the AA's calculations. However, a prudent estimate would suggest that this could amount to another £1,000 a year.

So it would appear that the "company car" has quite a long way to go before it catches up with private expenditure. However there are circumstances where it may still be possible to improve on the tax deal.

First, if the employee's private mileage is low, it may pay him to buy his own petrol and claim an allowance for business mileage rather than be taxed on the car fuel scale charge.

Thus for a 2000cc car, if the individual's private mileage is only 4,000 in a year, the AA esti-

mates a petrol cost of £5,733 per annum mile, giving a total cost of £229 in the year. The car fuel scale charge would cost him £800 at 40 per cent = £320.

Ministers show no inclination to adjust the £8,500 threshold in line with other tax allowances and thresholds

Second, if the employee's business mileage is high compared with his private mileage, there may be a tax advantage to him if his employer, instead of providing him with the car, makes him an interest-free loan which is progressively written off in line with the capital (tax depreciation) allowances available on the car.

Even though the employee will not be taxable on the benefit arising on the loan write-offs and on a proportion of the interest foregone on the loan attributable to

profit for the current year might proceed as follows: Running costs, say 25 per cent of £2,300 = £525 Loan waiver (equal to maximum available capital allowances): 1,500 Interest-free loan: say £14,000 x 9 1/4% x 25% = 332 Capital allowances on business use: £2,000 x 75% (1,500) Total benefit therefore equals £1,157

\* "Official" rate of interest currently applicable for calculating tax benefit on interest-free loans.

This compares with the normal scale charges of £2,000 already mentioned.

A number of possible problems have to be considered in following this approach: (1) Detailed mileage records will

have to be maintained to support the calculations. (One of the official justifications for the introduction of the scale charges was that it did away with the need for such records.)

(2) The employer may not find the concept of employee loans as attractive in cash flow terms as the type of leasing or contract hire or similar arrangements that he would be able to set up as a fleet operator.

(3) The employee will probably not be able to take advantage of the sort of discounts that a fleet user can negotiate.

(4) The likely depreciation in the value of the car over the whole period of ownership will need to be taken into account to make sure there is no unexpected claw-back of allowances in the year of sale.

(5) Company directors are generally prohibited from taking loans from their companies.

(6) If the company is "close" for tax purposes (broadly under the control of five or fewer shareholders or of its directors) and the employee is himself a shareholder, the loan will be treated as if it were a "distribution" (ie a dividend) by the company so that a liability to deemed ACT (currently equal to one third of the loan) will fall on the company.

(7) Since the employee's capital expenditure is met out of a loan from the employer, the liability on which is tied to the value of the car, the Inland Revenue might contend that the employee did not bear the cost of acquiring the car at all and refuse his claim for capital allowances.

Bill Packer is National Tax Technical Director of chartered accountants Tranche Ross

Road guidance systems

Trial schemes in Europe

THE UK'S Department of Transport in March unveiled a pilot vehicle guidance system, to operate between Heathrow Airport and Westminster, which has profound implications not just in terms of time-saving for busy drivers but for road infrastructure and the European electronics and communications industries.

If the Autoguide projects works as hoped, by the early 1990s at least 400,000 drivers will be using it to find their way within the M25 orbital motorway system around London.

By then, similar projects will have been developed in West Germany and other EC States so that it should be possible for motorists to be guided automatically to almost any destination within major European cities before the year 2000.

However, even this ambitious project, seen as opening up vast new markets for manufacturers of both the system equipment and in-car receiver/transmitters, forms only part of Europe's joint motor industry research programme, Promethus.

The acronym stands for "programme for a European traffic

having been reduced from 13 last year when the UK's Rover Group decided to withdraw from the project to concentrate on its own research and development needs. The UK initiative is thus left with Jaguar and Rolls-Royce.

The committee now believes that the first commercial spin-offs from the basic research could come as early as 1990, with the automatic guidance system being among the front-runners.

The UK's Autoguide project uses equipment developed by several electronics concerns and involves communication between roadside beacons and transmitter/receivers mounted within vehicles.

Broadly similar systems are also undergoing trials on the Continent, with Siemens of West Germany, in particular, well advanced with an infra-red system which can exchange up to eight kilobytes of information between vehicle and beacon at any given time.

In the UK, the Department of Transport has estimated that a system for use within the M25 motorway could be operating in the early 1990s at a cost of about £20m.

Makers of system equipment would recoup their investment through subscriptions from users, while makers of in-car units could expect about £150 per unit, or £50m based on 400,000 initial users.

On that basis, the potential for a Europe-wide, and possibly even world-wide, system is self-evident, creating a market in which a group of manufacturers could share profitably, given clear common standards for equipment.

The capabilities of Autoguide and similar systems extend well beyond simple routing. Take, for example, a British businessman or woman driving, say, a Jaguar XJ6 to see several contacts scattered around West Germany (enough to justify driving rather than using aircraft and taxis).

Using the eight-kilobyte technology, the driver would be able to communicate to the direction beacon that he was much more interested in time, rather than distance saving, so could the system please come up with a fast route currently carrying little traffic, even if it was not the most direct?

In the absence of input involving specific requests, the system itself would be expected automatically to monitor traffic densities and offer the most efficient route in the event, say, of an accident on the most obvious one.

Given a fully-developed system, it is also expected that the busy executive will be able to jump into his car in the morning and be told as a matter of course either that the normal route to the office is clear, or that there are a few bottlenecks, so why not take this recommended route instead?

Though demand for the system has yet to be established, there are already some pointers, including one or two unexpected ones. When the Autoguide concept was first cautiously examined in the UK, some Department of Transport and Transport and Road research Laboratory scientists had dinner with a group of perceived opinion-formers to canvass their reactions.

They were somewhat astonished to be told by a banker that he would be prepared to pay £2,000 for such a system. It would be worth it, he declared, if it could end marriage-threatening fights over maps in lay-bys.

John Griffiths



"In 10,000 miles, my Croma never stopped involuntarily, was never off the road for more than routine servicing and never failed to start. You can't do much better than that"

ERIC DYMCK, SUNDAY TIMES

THANKS, ERIC. TAKE THE REST OF THE NIGHT OFF.

THE FIAT CROMA

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FOR FURTHER INFORMATION CONTACT THE FIAT INFORMATION SERVICE, DEPT CRE0088, PO BOX 59, WINDSOR, BERKS SL4 3BA. TEL 01-997 0822.

## EXECUTIVE CARS 14

Improved equipment has transformed the car into a time-saving mobile office

## New systems change life on the road

"AS FAR as I am concerned, the car is the office," says Ian Hamilton-Fazey, the Financial Times Northern Correspondent.

Mr Hamilton-Fazey is one of an increasingly large number of people who have taken advantage of advances in mobile communications aimed at business users. In writing about the North, the North-West and Yorkshire and Humberside, he has to drive about 25,000 miles a year and, before he turned his car into a mobile office, found that much of his day was unproductive.

While he was on the road, he could not make or receive phone calls from his contacts. And, whenever he wanted to file a story, he had first to find a call box and dictate the story through to the copytakers. Quite apart from the fact that it was often difficult to find a call box that was working, the whole process was laborious.

He also had to make time-consuming journeys between his home in Liverpool and office in Manchester to collect documents or press releases that were vital for writing his stories.

The installation of four pieces of electronic equipment: a cellu-

lar phone, a portable computer and two faxes - has revolutionised his working day and improved his productivity.

The cellular phone allows him to keep in touch with his contacts even when on the move. The portable computer enables stories to be filed electronically. And the installation of faxes at home and at his office means he has been able to cut down the number of trips he needs to make between the two places and saved 8,000 miles in travelling each year.

The convenience of phoning during a journey makes the working day more productive

Even so, Mr Hamilton-Fazey's system does not work perfectly. He cannot send his stories from

his mobile phone to the Financial Times' computer system. He either has to send a telex or he has to find a stationary phone to send his story from.

Nevertheless, the technology and marketing of mobile communications is developing so quickly that many things which were impossible or uneconomic only a few years ago are now viable or will soon be.

Later this month, for example, Comsolvo International, a Brighton-based telecommunications marketing company, will be launching what it claims as the first office in a briefcase. For £1,500, customers will be able to buy a Samsonite briefcase, inside which will be a Cambridge Computer 288 laptop, an A4 Inkjet printer and an intelligent communications controller. Customers will have to provide their own cell phone to plug into the system.

Although not exactly chic - and therefore not a gadget for the high-powered yuppie executive - Comsolvo's office in a briefcase could well be an attractive business tool for field sales forces such as computer service engineers.

Comsolvo's managing director, Mr Phil Hawes, argues that it will be particularly useful for travelling financial service salesmen who now have to comply with the Financial Services Act's provisions requiring them to give their customers "best advice." In some cases, this means having satisfied themselves that there is no other product on the market that meets the customer's needs better than that which they are advising.

Being able, for example, to access their firm's central computer remotely to check all the available life policies, will enable them to act within the law.

On the same lines - but more upmarket - is the office in a car. For £3,000 (on top of the cost of the vehicle), you can buy from Mobile Management Systems an electronic office mounted in a Renault Espace. The package includes an IBM-compatible computer, mini-printer, TV, mobile phone and dictating machine.

Continuing the miniaturisation which is one of the hallmarks of the electronics industry, Sentra

this month launched what it claims is the UK's first "truly portable" fax - the Micrafax.

And in a move which should eventually pave the way for the office in the aircraft, British Tele-

**Mobile communications are far more susceptible to fading, hums and glitches - which can ruin data transmission**

com and Racal completed Europe's first successful satellite phone call from mid-air - also this month. The system, known as Skyphone, has been designed primarily for voice traffic though it is planned to be extended to fax and data transmissions.

According to Ian Volans of Racal Vodafone, one of the reasons that mobile data communications has not caught on as quickly as mobile voice communications is that the right technology has been slow arriving.

Although it is possible to connect a standard modem to a mobile phone, the chances of success when you are on the move are slim. Mobile communications are much more susceptible to fading, hums and glitches than their static counterparts and such interruptions can be disastrous in a data transmission, whereas



A different approach to upmarket transport is offered by Renault whose £15,000 Espace "people carrier" is a highly-equipped vehicle with room to take large amounts of gear. The Quadra

four-wheel drive version (above) now on the market provides a go-anywhere machine that has many leisure as well as work uses, taking the executive car beyond status.

in voice transmission they are simply an annoyance.

Vodafone's solution to this problem was to develop a data protocol called CDLC specifically for mobile transmission, and a number of modems that incorporate it. CDLC, Mr Volans says, improves the quality of transmission considerably.

Last year, Vodafone added to CDLC a new system called VMACS, which allows data to be transmitted with the use of a modem only at the sender's end - under the simple CDLC system modems were needed at both ends of the transmission. VMACS gives the user access to BT's packet-switch

system, Intel's Infotrak, the Mercury 5000 network, IBM's Managed Network Service and a variety of computer systems.

Installing all the necessary equipment is still fairly expensive, but Mr Volans says that there is more and more use of the system. For example, a system has been installed recently by London's wheel-clamping operation so that van drivers can communicate back to HQ details of the cars they have clamped and where they are.

Sending data is said to be quicker than phoning through the information, and also less likely to lead to errors.

The next major development in mobile office technology is likely to be the demonstration of a secure mobile messaging system later this year by Hewlett-Packard and Racal. At the moment, mobile data transmission is particularly vulnerable to interception because the data is being sent over the radio waves.

Hewlett-Packard argues that security is important when increasing amounts of sensitive financial information are being sent from mobile offices. Its project, part of the UK government's Alvey programme, is intended to remedy this.

Hugo Dixon

### Vehicle security

## Thefts 'tip of the iceberg'

THEFT OF, and from, cars in the UK has become economically damaging to the business sector because of its sheer volume.

Officially, just under 500,000 cars were stolen during 1986, the most recent year for which full statistics are available. Goods were stolen from a further 600,000.

The police clear-up rate was 18 per cent. And, according to Mr Freddie Aldous, president of the British Vehicle Rental and Leasing Association, the official figures may be only "the tip of the iceberg," with huge numbers of thefts from cars going unreported.

The clear-up rate, according to Mr Aldous, "is no indictment of the police as they simply do not have the manpower to cope with this plague. Indeed, I sense despair among senior police that the clear-up rate will ever get better."

The severity of the problem, not least in the relentless driving-up of vehicle insurance premiums, has reached the point where the BVRLA, whose members buy about one in four of the new cars sold each year in the UK, has launched an initiative of its own aimed at tackling it.

It takes the form of what is to be an annual anti-theft award for manufacturers adjudged to have done most in the field of vehicle security.

Vauxhall was this year's winner. But the announcement was coupled with a warning that the overall rate of progress on security was "exceptionally slow" and that the BVRLA might in future name manufacturers regarded as dragging their feet on the issue.

"They have a moral duty to the car-buying public...to make cars less easy to steal," says Mr Aldous, who is also chairman of the Trustee Savings Bank-owned Swan National vehicle leasing and rentals group.

His remarks echo the sentiments of several police reports on the subject which in the past have been critical of many manufacturers' approach to the issue.

Vauxhall's award was for a mix of anti-theft measures, including a system of deadlocks, audio-visual alarms and coded radios (rendered useless if they are removed from the car to which it was first fitted). It followed by a few weeks an announcement by Porsche Cars (GB), the wholly-owned UK importer, that it was to fit door deadlocks and ultrasonic alarms to its cars in the wake of the latest police report highlighting the ease with which most cars can be broken into.

The West German-built sports cars - Mercedes and BMWs and Jaguars are among the prime targets of "steal-to-order" professional car theft rings. Many of the most expensive vehicles are re sprayed, otherwise disguised and on their way to overseas markets within a few hours of being stolen.

The apparent slowness of vehicle manufacturers themselves in coming up with effective anti-theft solutions has spawned a thriving after-market in the sector.



Anti-theft measures built into new cars, such as better door locks, help to improve security

Approaches vary considerably. The Autoglass group sprang into life in the early 1980s with a package in which existing vehicles owners could have all the glass panels etched with the vehicle's registration number, it being hopelessly uneconomical for thieves to replace the glass itself.

The concept has since been broadened to many dealers carrying out the etching before delivery, with the details of the car being entered on a computerised databank so that future purchasers of the vehicle can easily check its bona fides.

One of the most popular measures remains the car alarm, partly on the grounds of relatively low cost, which for as little as £100 or so uses a sensor, or sensors in the case of more expensive units, to detect interference with parts of the car not subject to casual contact, externally, internally or both.

The trouble is, according to one aftermarket competitor, Hal Audio, many owners forget to activate the system, or even to lock the car, on leaving it.

Hal's Cobra Goldline system is claimed to arm itself automatically - by switching on an ultrasonic scanner which continuously sweeps the car interior - and sounding a warning blast within 10 seconds of the owner attempting to leave.

The owner, pulled up short maybe 20 yards away, then has only to aim the key-fob transmitter to which his ignition keys are attached at the car and the alarm system locks the door and closes the windows and sunroof. The entire system is disarmed by pressing a second button on the radio key.

The seeming decline of terrorism inside Europe, but its growth elsewhere, has produced a flourishing business in the form of companies building cars to protect the occupants or prevent their abduction.

Thus only at the end of last year Protected Cars Nederland NV, a Dutch-based group specialising in secure cars, launched a specifically anti-kidnap model based on the Volvo 760GLE saloon, and now being extended to other manufacturers' cars.

The anti-kidnap Volvo is aimed at repelling intruders rather than, as with most of the protected cars business, armour-plating against weapons attack.

Its glass is designed to withstand 90 seconds of repeated blows from a cleaver; the doors, modified to take pinlocks, can be locked electrically from any seat; there is an interior-to-exterior intercom, automatic fire extinguisher system and an anti-gas air filtration system.

Anti-kidnap and armoured vehicles, not unaturally, can increase the base vehicle's cost

by two or three times. The Geneva Motor Show is a prime showcase for such vehicles, the manufacturers of which include Hess and Eisenhardt of the US, armourers of US presidential vehicles since the days of Roosevelt and which produce up to 400 secure vehicles a year.

Among European operators, both Mercedes and BMW have their own armouring operations, while independents include Trasco International, based in Switzerland, which specialises in stretching as well as armouring Mercedes and BMWs at a works in West Germany.

They cater to a market worldwide estimated at about 1,000 units a year for heads of state and senior politics figures alone, quite apart from security-conscious industrialists and other private individuals.

Defeating rifle and handgun bullets is merely a basic requirement for such vehicles. Specifications of individual vehicles in most cases remain a closely-kept secret between manufacturer and purchaser.

But, to quote just two examples, the ability to start such cars by remote control, and to lay down an anti-pursuit smoke screen, are now much more than fragments of James Bond-style imagination.

John Griffiths

## Motor Industry

The Financial Times proposes publishing the following surveys

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THE AIRCRAFT MANUFACTURER

At the beginning of the century, aeroplanes pioneered the use of safety belts. Not surprisingly, when Saab turned from just making aeroplanes it was natural for them to become the first to

fit seat belts as standard to their cars. And as aeroplanes developed the disc brake, so Saab borrowed features like diagonally split brake systems for the road.

Saab's list of firsts in passenger and driver safety is impressive. Indeed it's one of the main reasons Sweden has earned such a formidable reputation for making safe cars.

However, the real safety benefits from an aircraft influence go beyond the protective steel shell and crumple zones, the reinforced roof pillars, bumpers and doors. Because in aircraft parlance, active avoidance is better than passive survival. For the Saab driver as for the Saab pilot, handling, turn-in, braking balance and driver feed-back are essential.

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